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9   IN THE UNITED STATES DISTRICT COURT

10   FOR THE DISTRICT OF OREGON

11 COLLEGENET, INC., a Delaware   )
    corporation,   )
12   )
                   Plaintiff,   )   Nos. CV-02-484-HU (LEAD CASE)
13   )   CV-02-1359-HU
         v.   )
14   )
    APPLYYOURSELF, INC., a   )   OPINION & ORDER
15 Delaware corporation,   )
)
16   Defendant.   )
    ───────────────────────────────)
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    1 - OPINION & ORDER

1 HUBEL, Magistrate Judge:

2   These consolidated cases involve two patents relating to an

3 on-line application system.   Case number CV-02-484-HU concerns

4 plaintiff's patent number 6,345,278 ("the '278 patent").   Case

5 number CV-02-1359-HU concerns plaintiff's patent number 6,460,042

6 ("the '042 patent").   The '042 patent is a continuation patent of

7 the '278 patent.

8   After an appeal to the Federal Circuit following a September

9 2003 jury trial and post-trial motion litigation, and a remand back

10 to this Court, the case was set for trial again on October 30,

11 2006.   As a result of various rulings and two stipulations[1] filed

12 between the time the case was remanded to this Court from the

13 Federal Circuit, and the October 2006 trial date, the single issue

14 set for trial in October 2006 was ordinary damages for defendant's

15 infringement of the '042 patent from September 10, 2003, to

16 September 18, 2005.   Resolution of the other issues in the case was

17 deferred.[2]

18

19   [1]   The two stipulations are: the April 12, 2006 Stipulation
   Regarding Affirmative Defenses and the May 4, 2006 Stipulation
20 Regarding Certain Post-September 18, 2005 Issues.

21   [2]   The other issues are (1) ordinary damages for
   infringement of the '042 patent from September 18, 2005, to the
22 present, with September 18, 2005 being the date that defendant
   present, with September 18, 2005 being the date that defendant
   alleges it introduced a "new product"; and (2) damages for
23 alleges it introduced a "new product"; and (2) damages for
   alleged willful infringement of the '042 patent from August 2,
24 2005, the date the Federal Circuit issued its decision in the
   case, to the present, addressing both the "old product" and the
25 "new product."
   Although, under the April 12, 2006 Stipulation, plaintiff
26 agreed not to seek damages in this action for infringement by
   defendant's new product, plaintiff also asserted that the new
27 product was not colorably different from the adjudicated-
   infringing product.   Thus, while a trial on the alleged willful
28

2 - OPINION & ORDER

1   The parties' April 12, 2006 Stipulation refers to another

2 patent infringement case brought by plaintiff against a different

3 defendant, and pending in this Court before Judge Brown:

4 CollegeNET, Inc. v. XAP Corp., No. CV-03-1229-BR (hereinafter "the

5 XAP case" or "Judge Brown's case"). The XAP case also concerns the

6 '278 and '042 patents. In the April 12, 2006 Stipulation,

7 defendant agreed to dismiss its counterclaims and affirmative

8 defenses in the Amended Answer filed in the instant case, without

9 prejudice to defendant's right to reassert the affirmative defenses

10 and counterclaims in any new action in which plaintiff seeks

11 damages or other relief based on defendant's new product, or in the

12 event the XAP case settles without a final judgment. Apr. 12, 2006

13 Stip. at ¶ 2. The parties also agreed to be "bound by a final non-

14 appealable judgment in the XAP case relating to the affirmative

15 defenses and counterclaims directed to the '042 patent (including

16 XAP's claims for invalidity and unenforceability of the '042

17 patent)." Id. at ¶ 4.

18   As the parties were filing their pretrial documents in

19 September 2006, the XAP case was being tried before Judge Brown.

20 The jury in the XAP case returned its verdict on October 5, 2006.

21 The jury considered only eleven of the '042 patent's claims in the

22

23

24 infringement of the '042 patent from August 2, 2005, to September
   18, 2005 was contemplated, the precise issue for any damages
25 related to defendant's product after September 18, 2005, concerns
   the nature of the new product and its similarity to the old
26 product. The April 12, 2006 Stipulation suggests the resolution
   of that issue may take place in the context of a request by
27 plaintiff for an injunction against the adjudicated-infringing
   product and products that are no more than colorably different
28 from that product.

3 - OPINION & ORDER

1   XAP case (claims 16, 18, 19, 20, 21, 22, 28, 32, 33, 36, and 38),

2   and determined that those eleven claims were invalid for

3   obviousness.

4   The litigation in the instant case was put on hold as the

5   parties analyzed the effect of the verdict in the XAP case on the

6   instant case. Initially, both parties requested that the October

7   30, 2006 trial be postponed. I granted that request. Eventually,

8   plaintiff asked that the trial in the instant case be rescheduled

9   at the Court's earliest convenience. Defendant objected,

10 contending that an inequitable conduct defense asserted by XAP in

11 the XAP case had not yet been tried, and also asserting that the

12 XAP verdict had changed the landscape regarding the damages issues

13 present in the instant case.

14   Defendant also argued that the April 12, 2006 Stipulation

15 precluded plaintiff from litigating the infringement of the

16 remaining claims of the '042 patent. Finally, defendant contended

17 that the XAP jury's invalidity verdict on the eleven claims

18 collaterally estopped plaintiff from maintaining its infringement

19 assertions against defendant as to all other claims in the '042

20 patent.

21   Because the arguments regarding the April 12, 2006 Stipulation

22 and collateral estoppel are potentially dispositive, I ordered the

23 parties to brief those issues for my consideration. Thus,

24 defendant presently moves for summary judgment on the collateral

25 estoppel issue.[3] I grant the motion.

26

27   [3] As a result of other post-XAP case verdict filings in the
    instant case, I concluded I had enough information and argument
28 on the effect of the April 12, 2006 Stipulation. Accordingly, I

4 - OPINION & ORDER

1   SUMMARY JUDGMENT STANDARDS

2   Summary judgment is appropriate if there is no genuine issue

3   of material fact and the moving party is entitled to judgment as a

4   matter of law. Fed. R. Civ. P. 56(c). The moving party bears the

5   initial responsibility of informing the court of the basis of its

6   motion, and identifying those portions of "'pleadings, depositions,

7   answers to interrogatories, and admissions on file, together with

8   the affidavits, if any,' which it believes demonstrate the absence

9   of a genuine issue of material fact." Celotex Corp. v. Catrett,

10   477 U.S. 317, 323 (1986) (quoting Fed. R. Civ. P. 56(c)).

11   "If the moving party meets its initial burden of showing 'the

12   absence of a material and triable issue of fact,' 'the burden then

13   moves to the opposing party, who must present significant probative

14   evidence tending to support its claim or defense.'" Intel Corp. v.

15   Hartford Accident & Indem. Co., 952 F.2d 1551, 1558 (9th Cir. 1991)

16   (quoting Richards v. Neilsen Freight Lines, 810 F.2d 898, 902 (9th

17   Cir. 1987)). The nonmoving party must go beyond the pleadings and

18   designate facts showing an issue for trial. Celotex, 477 U.S. at

19   322-23.

20   The substantive law governing a claim determines whether a

21   fact is material. T.W. Elec. Serv. v. Pacific Elec. Contractors

22   Ass'n, 809 F.2d 626, 630 (9th Cir. 1987). All reasonable doubts as

23   to the existence of a genuine issue of fact must be resolved

24   against the moving party. Matsushita Elec. Indus. Co. v. Zenith

25   Radio, 475 U.S. 574, 587 (1986). The court should view inferences

26   _____

27   specifically asked the parties for further briefing only on the
     collateral estoppel issue. However, I consider and resolve both
28   arguments here.

5 - OPINION & ORDER

1 drawn from the facts in the light most favorable to the nonmoving

2 party. T.W. Elec. Serv., 809 F.2d at 630-31.

3   If the factual context makes the nonmoving party's claim as to

4 the existence of a material issue of fact implausible, that party

5 must come forward with more persuasive evidence to support his

6 claim than would otherwise be necessary. Id.; In re Agricultural

7 Research and Tech. Group, 916 F.2d 528, 534 (9th Cir. 1990);

8 California Architectural Bldg. Prod., Inc. v. Franciscan Ceramics,

9 Inc., 818 F.2d 1466, 1468 (9th Cir. 1987).

10   DISCUSSION

11 I. Legal Principles

12   The law of the regional circuit governs the application of

13 collateral estoppel in a patent infringement action. Novartis

14 Pharms. Corp. v. Abbott Labs., 375 F.3d 1328, 1333 (Fed. Cir.

15 2004). The doctrine of collateral estoppel, or "issue preclusion,"

16 "prevents relitigation of issues actually litigated and necessarily

17 decided, after a full and fair opportunity for litigation, in a

18 prior proceeding." Kourtis v. Cameron, 419 F.3d 989, 994 (9th Cir.

19 2005) (internal quotation omitted).

20   A federal court decision has preclusive effect where (1)
    the issue necessarily decided at the previous proceeding
21   is identical to the one which is sought to be
    relitigated; (2) the first proceeding ended with a final
22   judgment on the merits; and (3) the party against whom
    collateral estoppel is asserted was a party or in privity
23   with a party at the first proceeding.

24 Id.; see also Kendall v. Visa U.S.A., Inc., 518 F.3d 1042, 1050

25 (9th Cir. 2008) (setting out standard in four elements: (1) there

26 was a full and fair opportunity to litigate the issue in the

27 previous action; (2) the issue was actually litigated in that

28 action; (3) the issue was lost as a result of a final judgment in

6 - OPINION & ORDER

1 that action; and (4) the person against whom collateral estoppel is

2 asserted in the present action was a party or in privity with a

3 party in the previous action.).

4   "The burden is on the party seeking to rely upon issue

5 preclusion to prove each of the elements have been met." Kendall,

6 518 F.3d at 1050-51.

7   While general principles of collateral estoppel are governed

8 by the law of the regional circuit in patent cases, the more

9 exacting issue of the effect of a prior determination of invalidity

10 on current patent claims is one of patent law. E.g., Pharmacia &

11 Upjohn Co. v. Mylan Pharms., Inc., 170 F.3d 1373, 1381 & n.4 (Fed.

12 Cir. 1999).

13   As described by the Federal Circuit in a 2007 case, the

14 Supreme Court, in the seminal case of Blonder-Tongue Laboratories,

15 Inc. v. University of Illinois Foundation, 402 U.S. 313 (1971),

16 permitted the use of defensive collateral estoppel when the accused

17 infringer shows that (1) a patent was found invalid in a prior case

18 which had proceeded through final judgment and in which all

19 procedural opportunities were available to the patentee; (2) the

20 issues litigated were identical; and (3) the party against whom

21 estoppel is applied had a full and fair opportunity to litigate.

22 Abbott Labs. V. Andrx Pharms., Inc., 473 F.3d 1196, 1203 (Fed. Cir.

23 2007).

24   A. Proceeded Through Final Judgment

25   Final judgment in the XAP case was filed on October 17, 2008.

26 This Judgment is final for purposes of applying collateral

27 estoppel, notwithstanding that plaintiff may file a motion for

28 judgment as a matter of law (JMOL) or an appeal. "The law is well

7 - OPINION & ORDER

1 settled that the pendency of an appeal has no effect on the

2 finality or binding effect of a trial court's holding. . . . That

3 rule is applicable to holdings of patent invalidity as well."

4 Pharmacia, 170 F.3d. at 1381; see also Robi v. Five Platters, Inc.,

5 838 F.2d 318, 327 (9th Cir. 1988) (appeals did not affect

6 "firmness" of prior judgments for purposes of issue preclusion).

7   The same is true of JMOL or new trial motions. Pharmacia, 170

8 F.3d at 1381 (district court did not err in according the prior

9 judgment collateral estoppel effect despite the pendency of the

10 plaintiff's JMOL/new trial motion in that case); Tripati v. Henman,

11 857 F.2d 1366, 1367 (9th Cir. 1988) ("A pending Rule 59(e) motion

12 similarly does not deprive a judgment of finality for res judicata

13 purposes.").

14   B. Litigation of Identical Issues

15   In Bourns, Inc. v. United States, the Court of Claims[4] made

16 clear that the defensive collateral estoppel recognized in Blonder-

17 Tongue extends to the unadjudicated claims in a patent to the

18 extent that those unadjudicated claims present issues identical to

19 the claims which were adjudicated and found invalid. 537 F.2d 486,

20 492 (Ct. Cl. 1976). Collateral estoppel applies to patent claims

21 that were not previously adjudicated because the "issues litigated,

22 not the specific claims around which the issues were framed" are

23 determinative. Westwood Chem., Inc. v. United States, 525 F.2d

24 1367, 1372 (Ct. Cl. 1975).

25

26   [4] The Court of Claims is the predecessor court of the

27 Federal Circuit, which has adopted as precedent the decisions of
   the Court of Claims. Interconnect Planning Corp. v. Feil, 774

28 F.2d 1132, 1136 & n.2 (Fed. Cir. 1985).

8 - OPINION & ORDER

1   The Bourns court explained that

2   if a patentee has [] been heard on all the factual issues
3   necessary to an obviousness determination, and that
            determination already has been made adversely to one
4   claim, neither due process nor any provision of the
            patent statute . . . require that the patentee be heard
5   once again on those same issues and on the same
            obviousness determination simply because a different
6   claim is involved.

Bourns, 537 F.2d at 492.

7
       The Westwood court explained that "[w]here obviousness is the
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basis for the prior invalidity holding, an inquiry into the
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identity of the validity issue is more properly phrased in terms of
10
the factual inquiries mandated by Graham v. John Deere Co., 338
11
U.S. 1, 17 [] (1966) as a prerequisite to such a validity
12
determination." Westwood, 525 F.2d at 1375.
13
           Thus, the inquiry should be whether the nonlitigated
14   claims present new issues as to the art pertinent to the
           nonlitigated claims; as to the scope and content of that
15   art; as to the differences between the prior art and the
           nonlitigated claims; and as to the level of ordinary
16   skill in that art. If none of these inquiries raises any
           new triable issues, then the obviousness determination in
17   the prior proceeding should be equally applicable to the
           nonlitigated claims.
18
Id.
19
       The court starts its analysis by comparing the adjudicated
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claims to the unadjudicated claims to determine if they are
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substantially identical. Id. ("the question [is] whether the
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issues of validity presented by [the] unadjudicated claims . . .
23
are substantially identical to the issues of validity [in the
24
adjudicated claims]"; "the most convenient way to approach a
25
determination of these issues is . . . to compare the litigated and
26
not litigated claims"); Medinol Ltd. v. Guidant Corp., 341 F. Supp.
27
2d 301, 315 (S.D. N.Y. 2004) (in analyzing whether prior
28

9 - OPINION & ORDER

1   obviousness invalidity determination should bind unadjudicated

2   patent claims in subsequent litigation against different alleged

3   infringer, "court . . . should first compare the adjudicated and

4   unadjudicated claims"); see also Interconnect, 774 F.2d at 1136

5   (noting that Court of Claims in Westwood, when confronted with a

6   situation where estoppel was raised as to unadjudicated claims of

7   a patent whose other claims had been adjudicated in an earlier

8   action, "adopted a pragmatic approach, stating that the first step

9   was to determine whether any new issues were raised as to the

10   nonlitigated claims.").

11   In making this comparison between the unadjudicated and

12   adjudicated claims, "[i]f they are of identical scope, it readily

13   follows that no new issues bearing on the obviousness determination

14   are presented." Westwood, 525 F.2d at 1375; Medinol, 341 F. Supp.

15   2d at 315 ("If the scope of these claims is identical, then there

16   are no new issues relating to an obviousness determination raised

17   as to the nonlitigated claims.").

18   If the unadjudicated claims and the adjudicated claims are not

19   identical, and the differences "are of a substantive nature," the

20   court proceeds to the next step. Westwood, 525 F.2d at 1375 (if

21   the comparison reveals "differences of a substantive nature . . .

22   it will be necessary to go a step further . . . ."); Medinol, 341

23   F. Supp. 2d at 315 ("if this claim comparison reveals a substantive

24   difference[,] 'it will be necessary to go a step further[.]'")

25   (quoting Westwood, 525 F.2d at 1375). Thus, if the claims are not

26   identical but the difference is minor and not substantive,

27   collateral estoppel will apply because, as with identical claims,

28   the unadjudicated claims raise no new issues relating to invalidity

10 - OPINION & ORDER

1 based on obviousness.

2   With substantive differences, however, the court undertakes an

3 examination of whether the nonlitigated claims "present new issues

4 [1] as to the art pertinent to the nonlitigated claims; [2] as to

5 the scope and content of that art; [3] as to the differences

6 between the prior art and the nonlitigated claims; and [4] as to

7 the level of ordinary skill in that art." Westwood, 525 F.2d at

8 1375.

9   The court must assess the differences between the prior art

10 and the nonlitigated claims by examining the nonlitigated claims as

11 part of the claimed combination as a whole and comparing the

12 claimed combination as a whole to the prior art. As explained in

13 Medinol:

14   Although the "practicalities are to look to the
           distinguishing features incorporated into the claims and
15   the validity determination necessarily focuses on those
           features," the "subject matter of the claim must be
16   considered as a whole." . . . Indeed, Bourns teaches that
           where the nonmovant effectively argues that the
17   additional elements distinguish the claimed combination
           as a whole from the prior art, it is not enough for a
18   movant to show that those elements are disclosed in the
           prior art. . . . It is only where the claim comparison
19   "indicates that the additional elements recited in the
           unadjudicated claims do not distinguish the claimed
20   combination as a whole from the prior art," . . . that
           those newly asserted claims may not be litigated in a
21   subsequent proceeding.

22 Medinol, 341 F. Supp. 2d at 315-16 (quoting Bourns, 537 F.2d at

23 493, 494) (citations and footnote omitted) (emphasis in Medinol).

24 Additionally, the court must ensure that it compares a narrower

25 unadjudicated claim to the prior art, not to a broader invalid

26 claim. In Bourns, the plaintiff argued that the defendant's claim

27 comparisons (in the context of the collateral estoppel argument),

28   improperly treat[ed] the adjudicated claims as prior art,

11 - OPINION & ORDER

1   in an effort to show that the differences between the claims are obvious. Plaintiffs assert that each claim of a patent is entitled to a presumption of validity, that each claim is to be treated as a separate and complete invention, that the pertinent standard is as to the differences between the prior art and the claims, and that invalidity of a claim does not transform the subject matter of that claim into prior art.

     Plaintiff's argument, so far as it goes, is clearly correct. A domino approach in which each successively narrower claim is compared with the one before it, not with the prior art, is inappropriate since it improperly gives prior-art effect to the subject matter of an invalid claim. . . . A claim may be invalid for obviousness under 24 U.S.C. § 103, but still describe a combination not found in the prior art. Moreover, it is well settled that each claim of a patent is entitled to a presumption of validity and is to be treated as a complete and independent invention . . . .

     However, there is nothing in any of those long-accepted principles which appears to foreclose, or is inconsistent with, a determination that the issues bearing on validity of two separate claims are substantively the same. To assess the identity of those issues, it is convenient to compare the adjudicated and unadjudicated claims. Obviousness of the unadjudicated claims not being an issue, it is clear that the differences revealed by such comparisons must be evaluated, not in terms of obviousness under a domino approach, but, rather, in terms of the Graham issues. Where the differences revealed by a comparison of the claims do not vary the relevant issues bearing on obviousness, collateral estoppel should apply.

Bourns, 537 F.2d at 492-93 (citations omitted).

Thus, in assessing the differences, if any, between the prior art and the unadjudicated claims, the court must focus on the relationship between the prior art and the unadjudicated claims and not simply compare a narrower unadjudicated claim to an invalid broader claim. Also, the court must examine the prior art as to any distinguishing element in an unadjudicated claim not just as to that element alone, but as to the claimed combination as a whole.

C. Full and Fair Opportunity to Litigate

The "full and fair opportunity" inquiry is "quite narrow."

12 - OPINION & ORDER

1 Pharmacia, 170 F.3d at 1380 (further noting that the role of the

2 court in deciding collateral estoppel issue is not to review the

3 correctness of the prior jury verdict; whether the prior finding of

4 invalidity was correct is an inappropriate inquiry).   Blonder-

5 Tongue "does not authorize unbridled excursions into the record of

6 the earlier trial before applying the estoppel of the previous

7 judgment." Kaiser Inds. Corp. v. Jones & Laughlin Steel Corp., 515

8 F.2d 964, 985 (3d Cir. 1975); see also Hughes Tool Co. v. Dresser

9 Indus., Inc., 209 U.S.P.Q. 652, 653 (N.D. Tex. 1980) ("the court

10 ruling on the plea of estoppel does not stand on the same role as

11 an appellate court").

12 II.   Preliminary Arguments by Plaintiff

13   A.   Standard of Proof

14   Plaintiff contends that defendant must prove invalidity by

15 clear and convincing evidence and that here, defendant improperly

16 relies on uncorroborated testimony of witnesses.

17   Plaintiff is mistaken. While in the first instance invalidity

18 must be proved by clear and convincing evidence, Sitrick v.

19 Dreamworks, LLC, 516 F.3d 993, 999 (Fed. Cir. 2008) ("evidentiary

20 burden to show facts supporting a conclusion of invalidity is one

21 of clear and convincing evidence because a patent is presumed

22 valid"), the issue presently before me is one of collateral

23 estoppel, not invalidity, and more specifically, whether there is

24 substantial identity between the adjudicated and unadjudicated

25 claims.   Bourns, 537 F.2d at 493 n.6 (proponent of estoppel

26 argument has burden of establishing by a preponderance of the

27 evidence that identical issues are presented by the adjudicated and

28 unadjudicated claims).

13 - OPINION & ORDER

1   Also, while the case cited by plaintiff indicates that courts

2   have required "corroboration" of evidence in adjudications of

3   invalidity in the first instance, <u>Lacks Indus., Inc. v. McKechnie</u>

4   <u>Vehicle Components, USA, Inc.</u>, 322 F.3d 1355, 1350 (Fed. Cir. 2003)

5   ("courts have consistently required documentary corroboration of

6   oral testimony by interested parties presented to invalidate a

7   patent"), plaintiff cites no cases applying this requirement to

8   collateral estoppel issues, and I have found none.

9   B.   Judicial Estoppel

10   Plaintiff contends that defendant's motion for collateral

11 estoppel is inconsistent with two different positions defendant has

12 taken before this Court and thus, defendant is judicially estopped

13 from making the collateral estoppel argument.

14   First, plaintiff notes that after this case was remanded by

15 the Federal Circuit, defendant moved to have its invalidity

16 counterclaims and affirmative defenses reinstated. In opposition

17 to that motion, plaintiff contended that as part of the jury's

18 rejection of defendant's invalidity arguments directed to the

19 <u>'278</u> patent, the jury necessarily decided certain issues of fact

20 that were relevant to the invalidity arguments directed to the '042

21 patent and thus, defendant could not proceed with such invalidity

22 arguments and the motion to reinstate those counterclaims and

23 affirmative defenses should be denied.

24   I rejected plaintiff's argument and held that issues

25 underlying the validity of the '042 patent were not actually

26 decided by the judgment issued on the '278 patent. Nov. 8, 2005

27 Op. & Ord. In my Opinion and Order, I explained that "[b]ecause

28 this record does not establish that the jury necessarily determined

14 - OPINION & ORDER

1 or even considered each of the disputed underlying factual issues

2 actually litigated as part of defendant's on-sale bar invalidity

3 counterclaim and defense as to the '278 patent, the doctrine of

4 issue preclusion/collateral estoppel does not prevent litigation of

5 those issues . . . against the '042 patent." Nov. 8, 2005 Op. at

6 p. 28. Plaintiff now argues that the holding in the November 8,

7 2005 Opinion is the law of the case and that defendant makes no

8 argument as to why this Court should depart from it.

9   Plaintiff, however, fails to acknowledge the prior discussion,

10 on the previous page of that Opinion, of the principle that a

11 jury's <u>rejection</u> of invalidity is <u>not</u> given preclusive effect.

12 Thus, there is no inconsistent position by defendant here when

13 earlier, defendant argued that no preclusive effect be given to a

14 determination of "not invalid," and now defendant argues that

15 preclusive effect should be given to a determination of invalidity.

16 As I previously stated: "The jury's rejection of defendant's

17 invalidity argument distinguishes this case from a case where there

18 has been a determination of <u>invalidity</u>. In that situation, all of

19 the elements establishing the invalidity defense <u>must have been</u>

20 <u>actually decided</u> because the party asserting the invalidity

21 argument could not otherwise prevail." Nov. 8, 2005 Op. at p. 27-

22 28.

23   Next, plaintiff argues that defendant is estopped from

24 asserting that the presence of a "forms engine" or "forms

25 generator" in any unadjudicated claim does not raise any new

26 triable issues as to validity, when defendant has previously

27 suggested that its alleged elimination of a "forms engine" in its

28 "new product" (introduced September 18, 2005), raises significant

15 - OPINION & ORDER

1   issues as to infringement, requiring a separate resolution of

2   alleged infringement by defendant's new product.

3   In the instant motion, defendant argues that an unadjudicated

4   claim's additional element of a "forms engine," raises no

5   differences between the prior art and the unadjudicated claim that

6   were not addressed in the XAP case.   I view this as a wholly

7   separate argument from the one defendant has previously suggested

8   it will make, when and if the issue of infringement by defendant's

9   new product is addressed.   I do not see that defendant has taken

10 inconsistent positions when, on the one hand, defendant argues that

11 a forms engine is taught in the prior art and thus, unadjudicated

12 claims with that element are invalid via collateral estoppel, and

13 on the other hand, that the elimination of a forms engine from its

14 product, renders it an allegedly noninfringing new product.

15   C. Reexamination

16   Plaintiff suggests that the XAP case verdict is suspect

17 because of its inconsistency with the Patent and Trademark Office's

18 (PTO) later reaffirmation of the '042 patent.   However, as

19 defendant notes, the Federal Circuit recognizes that a court and

20 the PTO are "two forums [that] take different approaches to

21 determining invalidity and on the same evidence could quite

22 correctly come to different conclusions."   Ethicon, Inc. v. Quigg,

23 849 F.2d 1422, 1428 (Fed. Cir. 1988).   Thus, there is no need to

24 consider the PTO's determination and it has no effect on the

25 validity of the Judgment in the XAP case.

26 III. The April 12, 2006 Stipulation

27   The April 12, 2006 Stipulation begins by identifying the

28 parties to the action and reciting that (1) plaintiff represents

16 - OPINION & ORDER

1 that its February 6, 2006 Supplemental Complaint in the case was

2 not intended to assert a new claim for infringement against any

3 product that is more than colorably different from the adjudicated-

4 infringing systems of defendant; (2) defendant represents that it

5 modified and implemented a new product on September 18, 2005, that

6 is materially different with respect to the '042 patent from the

7 adjudicated-infringing systems of defendant; and (3) plaintiff

8 contends that the new product is not colorably different from the

9 adjudicated-infringing product.

10   Based on these assertions, the parties then agreed on four

11 points. They are:

12   1. CollegeNET will not seek in this Action any damages
        based on the New Product or any other relief expressly

13   directed to the New Product. Nothing in this agreement,
        however, shall prevent CollegeNET from seeking and/or

14   enforcing,   after   trial   of   the   remaining   issues
        (including, potentially, validity or enforceability under

15   Paragraph 5), an injunction against the adjudicated-
        infringing product and products that are no more than

16   colorably different therefrom.

17   2. ApplyYourself shall dismiss its counterclaims and
        affirmative defenses in its Amended Answer in this Action

18   without prejudice to ApplyYourself's right to reassert
        these affirmative defenses and counterclaims: (1) in any

19   new action in which CollegeNET seeks damages or other
        relief based on the ApplyYourself New Product; or (2) in

20   the event that the XAP case settles without a final
        judgment, in which case all Parties' claims will be tried

21   in this Action consistent with paragraph 5, below, and
        subject to the approval of the Court. Each Party by this

22   Agreement preserves its position as to the proper scope
        of   ApplyYourself's   counterclaims   and   affirmative

23   defenses.

24   3. Neither Party shall cite to the Court either this
        Agreement, or any action or inaction resulting from this

25   Agreement,   as   a   ground   for   changing   the   current
        Scheduling Order entered on February 17, 2006, in this

26   Action. Trial in this Action is scheduled for October
        30, 2006. By this Agreement, neither Party waives its

27   right to seek a jury trial.

28   4. The Parties agree to be bound by a final non-

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appealable judgment in the XAP case relating to the affirmative defenses and counterclaims directed to the '042 patent (including XAP's claims for invalidity and unenforceability of the '042 patent).

Apr. 12, 2006 Stip. at ¶¶ 1-4, pages 1-2.

Next, three contingencies are recited. The first is if the XAP case settles before entry of a final judgment on XAP's affirmative defenses and counterclaims in the XAP case directed to the '042 patent, the parties agreed to void their agreement in the April 12, 2006 Stipulation, and to continue litigating this action. Id. at ¶ 5. Continuing in that paragraph, the parties recite that "[e]xcept as expressly provided in Paragraphs 1, 2, and 4 herein, nothing in this Agreement, or in the actions or inactions required thereby shall be cited by the Parties in this Action, or any other case, as a ground for barring CollegeNET or ApplyYourself from asserting a claim, counterclaim, or defenses." Id. at ¶ 5.

The second is if the XAP case settles after final judgment as to XAP's affirmative defenses and counterclaims in the XAP case directed to the '042 patent, but before any appeal has been taken by either XAP or CollegeNET, the parties in the instant case agree to a stipulated judgment in this case incorporating the final judgment and record, directed to the '042 patent, of the XAP case, whereby the losing party retains its right to appeal from such judgment based on such record. Id. at ¶ 6. If ApplyYourself's appeal or CollegeNET's appeal under paragraph 6 is dismissed without reaching the validity of the '042 patent, other than a party's voluntary dismissal, then paragraph 5 of the agreement controls, and the parties agree to void the agreement and to continue litigating. Id. Additionally, if the XAP case settles by

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1 a consent judgment that is a final non-appealable decision, then

2 paragraph 5 of the agreement controls, and the parties agree to

3 void the agreement and to continue litigating. Id.

4   In paragraph 7, the third contingency, the parties recite that

5 if XAP appeals an adverse decision relating to infringement, but

6 not invalidity or unenforceability, the parties agree to a

7 stipulated judgment in this action incorporating the final judgment

8 and record, directed to the '042 patent, of the XAP case, where

9 ApplyYourself retains its right to appeal from any portion of such

10 judgment not appealed by XAP based on such record. Id. at ¶ 7. If

11 ApplyYourself's appeal under paragraph 7 is dismissed without

12 reaching the validity of the '042 patent, other than a party's

13 voluntary dismissal, then paragraph 5 of the agreement controls,

14 and the parties agree to void the agreement and to continue

15 litigating.

16   Plaintiff contends that because defendant dismissed all of its

17 affirmative defenses and counterclaims pursuant to the April 12,

18 2006 Stipulation, defendant cannot maintain an invalidity

19 affirmative defense or counterclaim as to any of the unadjudicated

20 claims, including the affirmative defense of collateral estoppel.

21   Defendant argues that because the parties agreed in the April

22 12, 2006 Stipulation to be bound by a final, nonappealable judgment

23 in the XAP case, any claims adjudicated in that case are no longer

24 at issue. Defendant further notes that in a September 19, 2006

25 Joint Statement filed by the parties in the XAP case, plaintiff

26 withdrew its allegations of infringement of seventeen claims of the

27 '042 patent from that action. Defendant contends that under the

28 April 12, 2006 Stipulation, the invalidity defense on which XAP

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1   prevailed at the XAP trial, should apply to the claims plaintiff

2   withdrew in the XAP case, not just the claims that the jury

3   adjudicated.

4   I find no support in the April 12, 2006 Stipulation for either

5   party's position.   First, the fact that in the event of a

6   settlement of the XAP case, the parties agreed to resume litigation

7   in this case as if the April 12, 2006 Stipulation had never been

8   signed, undermines plaintiff's position here that affirmative

9   defenses and counterclaims were forever eliminated from this case.

10   Second, no part of the April 12, 2006 Stipulation answers the

11   question of what happens to claims and defenses in the XAP case

12   that were not tried for a reason other than settlement.   None of

13   the agreements or contingencies addresses the resolution of '042

14   patent claims not at issue in the XAP case and thus, not

15   adjudicated at trial, not dispensed with at summary judgment, or

16   not settled.

17   Third, in my reading of the April 12, 2006 Stipulation as a

18   whole, I understand the agreement to suggest that unless asserted

19   patent claims were resolved in the XAP case on summary judgment or

20   at trial, or in a settlement, the parties in the instant case may

21   still litigate the invalidity of any unadjudicated '042 patent

22   claims, or the infringement by the "new product" of the '042 patent

23   claims.   Thus, the infringement by the "new product" of the patent

24   claims, and the invalidity of the claims not adjudicated in the XAP

25   case, are still issues subject to litigation.

26   IV. Collateral Estoppel of the Unadjudicated Claims

27   Of the three criteria for defensive collateral estoppel

28

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1   suggested by Blonder-Tongue,[5] only one needs extensive discussion

2   here - the litigation of identical issues. Plaintiff had the full

3   and fair opportunity to litigate the validity of the '042 patent in

4   the XAP case, and specifically, to litigate the question of

5   invalidity based on obviousness. Plaintiff (1) chose the time and

6   place of litigation in the XAP case, (2) had ample "incentive to

7   litigate," (3) was prepared to "litigate to the finish," (and

8   indeed has), and (4) was not deprived of crucial evidence or

9   witnesses in the XAP case litigation. See Blonder-Tongue, 402 U.S.

10   at 332-33 (noting factors to consider in analyzing "full and fair

11   opportunity" to litigate).

12   Additionally, as noted above, the presence of a pending JMOL

13   or new trial motion, or an appeal, does not affect the status of

14   the Judgment in the XAP case as being final for the purposes of

15   collateral estoppel.   Thus, there is no issue regarding the

16   presence of a final judgment.

17   As to the "identical issues" element, as explained above, the

18   relevant analysis examines the identity of issues between the

19   unadjudicated claims and the adjudicated claims, with the court's

20   inquiry directed to determining if there are any "new issues"

21   regarding four factors: the art pertinent to the unadjudicated

22   claims, the scope and content of that art, the differences between

23   that art and the unadjudicated claims, and the level of ordinary

24   skill in the art. Here, plaintiff does not dispute that there are

25

26   [5] As noted above, they are (1) patent was found invalid in
     a prior case which proceeded through final judgment and all
27   procedural opportunities were available to the patentee; (2) the
     issues litigated were identical; and (3) the party against whom
28   estoppel is applied had a full and fair opportunity to litigate.

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1 no new issues as to the art pertinent to the unadjudicated claims

2 and the level of ordinary skill in the art. See Pltf's Mem. at p.

3 6 (indicating that plaintiff disputes whether there are new issues

4 of validity only as to (1) the scope and content of the prior art

5 and (2) the differences between the prior art and the unadjudicated

6 claims). Thus, where there is a substantive difference between an

7 unadjudicated and adjudicated claim, I do not address whether the

8 unadjudicated claims present new issues as to the art pertinent to

9 the unadjudicated claims or as to the level of ordinary skill in

10 the art.[6]

11   Defendant relies on the same prior art references that XAP

12 relied on in the XAP case. Specifically, defendant relies on (1)

13 CollegeNET's ApplyWeb 1; (2) the CollegeEdge system; (3) the XAP

14 Disk System; (4) the XAP Legacy System; and (5) the CollegeEdge

15 system and both XAP systems in combination with the CyberCash

16 system. Deft's Mem. at p. 18. In addition, in explaining the

17 specific teachings of these prior art references, defendant relies

18 only on the XAP trial transcripts and exhibits. Id.

19   Plaintiff notes that in its memorandum in support of its

20 collateral estoppel motion, defendant fails to identify, in the

21 list of prior art from the XAP case that defendant relies on here,

22 certain combinations of prior art that the XAP jury was instructed

23

24   [6] In the XAP case, CollegeNET's expert testified that one
   of ordinary skill in the art is "somebody who had gotten an
25 undergraduate degree in computer science or similar discipline,
   or had . . . equivalent amount of experience; plus a year working
26 in the industry after the degree." Deft's Exh. 3A at p. 604.
   Defendant states that for the purposes of this motion, it adopts
27 this definition.

28

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1 to consider. Judge Brown instructed the jury in the XAP case that

2 XAP contended the asserted claims of the '042 patent were rendered

3 obvious by several recited pieces of prior art, all of which

4 defendant here expressly states it relies on. Pltf's Exh. 2 at p.

5 19. Judge Brown then further instructed the jury that

6   XAP contends that the combination of two or more printed
      publications concerning the XAP Legacy Online System
7   [[Trial Exhibits] 1112, 1134, 1136, and 1137] render
      obvious both the '278 and '042 patents and that two
8   printed publications concerning the CollegeEdge Online
      System [[Trial Exhibit] 1360 and 1353] in combination
9   render obvious the claims of the '042 patent.   A
      reference is a "printed publication" if it existed before
10   the date of conception and is accessible to those
      interested in the field, even [if] it is difficult to
11   find.

12 Id.

13   Plaintiff suggests that because defendant does not expressly

14 state that it relies on these additional printed publications in

15 support of its collateral estoppel motion, it cannot prevail here.

16 Plaintiff explains that because the XAP case jury did not specify

17 which pieces of prior art invalidated a particular claim or claim

18 element, to invalidate an unadjudicated claim on the basis of

19 collateral estoppel would be inappropriate because of the risk that

20 the jury may have invalidated a claim based on prior art not

21 asserted in this motion.

22   I reject this argument for three reasons. First, I do not

23 read defendant's memorandum as limiting the prior art on which it

24 now relies to less than all of the prior art references given to

25 the jury in the XAP case. In its memorandum, defendant states as

26 follows:

27   ApplyYourself relies on the same prior art references
      relied on by XAP-CollegeNET's ApplyWeb I, the CollegeEdge
28   system, the XAP Disk System, the XAP Legacy System, as

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well as the CollegeEdge system and both XAP systems in combination with the CyberCash system. (Ex. 3B at 1899).

Deft's Mem. at p. 18. The cited page is a copy of the XAP case trial transcript in which Judge Brown orally instructed the jury as to the prior art references. She first listed the same references as defendant expressly recites in its memorandum, and then further instructed the jury regarding the printed publications, as quoted previously, above. Deft's Exh. 3B at p. 1899. The oral instruction is the same as the printed instruction found at page 19 of Plaintiff's Exhibit 2. By citing to this exhibit in support of its statement that defendant relies on the same prior art references relied on in the XAP trial, defendant here has made clear that it relies on all the prior art references presented to the jury in the XAP case, not just some of them. See also Deft's Mem. at p. 15 (quoting the oral recitation by Judge Brown of the full jury instruction on the prior art).

Second, my review of the exhibit list in the XAP case supports defendant's assertion at oral argument in the collateral estoppel motion that the publication references simply corroborate the public use of the systems already delineated by Judge Brown in her jury instructions and expressly relied on by defendant here.

Third, the fact that defendant failed to expressly list these combinations of prior art references in its memorandum is immaterial. The relevant issue is whether any additional elements present in the unadjudicated claims distinguish the claimed combination as a whole from the prior art. The only prior art considered in this motion is what was admitted into evidence in the XAP case. These combinations of printed publications are not new

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1   prior art, unconsidered by the XAP jury. It makes no difference

2   that defendant did not actually recite these combinations of

3   printed publications in its memorandum, especially when defendant

4   does say that it relies on the prior art in the XAP case. That is

5   sufficient.

6   Additionally, plaintiff contends that without a verdict in the

7   XAP trial which reveals what pieces of prior art or prior art

8   combinations the jury relied on to invalidate particular claims and

9   elements, the Court cannot apply collateral estoppel. In support,

10 plaintiff relies on cases generally addressing the "necessarily

11 decided" element of a collateral estoppel analysis, not cases

12 applying collateral estoppel principles in the particular context

13 of a jury's finding a patent claim invalid based on obviousness.

14   As noted above, the application of collateral estoppel

15 requires that the issue sought to be collaterally estopped was

16 necessarily determined in the prior litigation. Thus, when the

17 court which is asked to apply collateral estoppel cannot ascertain

18 whether the issue was so determined in the prior litigation,

19 collateral estoppel is inappropriate. E.g., Novartis Pharms. Corp.

20 v. Abbott Labs., 375 F.3d 1328, 1334 (Fed. Cir. 2004) (because

21 court could not determine from jury's verdict or trial record that

22 the district court's claim construction was necessary to the jury's

23 noninfringement decision on the patent, the defendant had not met

24 its burden to show that the claim construction of that term by the

25 district court was necessary to the jury's noninfringement decision

26 and collateral estoppel not applied).

27   Plaintiff argues that the record from the XAP trial fails to

28 reveal certain determinations such as whether each system and

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1 publication were determined to be prior art under 35 U.S.C. § 102,

2 and whether the prior art disclosed a motive to combine elements

3 into the inventions claimed in the unadjudicated claims of the '042

4 patent.

5   Plaintiff contends that the prior art references relied on by

6 XAP, and thus relied on by defendant here, are not in fact prior

7 art references. Plaintiff states that which alleged features of

8 the various systems qualify as prior art for the purposes of an

9 obviousness analysis was contested at the XAP trial and thus, there

10 are factual issues as to the scope and content of the prior art

11 precluding the application of collateral estoppel. Plaintiff

12 suggests that because the jury verdict and the trial record do not

13 reveal which prior art references the jury relied on and the

14 consideration of the references as prior art was contested at the

15 XAP trial, this Court cannot conclude that the issue was

16 necessarily determined in the XAP case.

17   I disagree. The Judgment in the XAP case precludes

18 consideration of these arguments. As noted above, a collateral

19 estoppel motion does not allow plaintiff here to reargue the merits

20 of the prior invalidity verdict. Plaintiff's argument is nothing

21 more than a rehash of issues decided in the XAP case. That is,

22 while plaintiff may still dispute whether some of the prior art

23 references were in fact prior art, the jury, by concluding that

24 eleven claims of the '042 patent were invalid as obvious,

25 necessarily determined that the particular prior art reference or

26 combination of prior art reference, that taught the elements of the

27 adjudicated invalid claims, were, in fact, prior art. This is not,

28 for example, a case where the jury determined that the patent was

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1   invalid, but did not articulate on what basis (e.g., on-sale bar,

2   anticipation, obviousness, etc.). Thus, plaintiff's argument has

3   no merit as to the elements of unadjudicated claims that are

4   substantially identical to elements of adjudicated invalid claims

5   because the XAP jury necessarily determined that the prior art

6   which invalidated the claims before it, was "prior art."

7   As to additional elements in the unadjudicated claims,

8   plaintiff's argument is that if the jury was presented with prior

9   art references 1 through 7, and invalidated the claims before it as

10 obvious based on, hypothetically, references 1 through 5, then the

11 jury necessarily determined only that references 1 through 5 were

12 in fact, prior art, and that there was a motive to combine

13 references 1 through 5. Thus, the argument continues, if the

14 additional element in an unadjudicated claim is recited in prior

15 art references 6 and/or 7, the jury has not necessarily made a

16 determination about those particular prior art references.

17   Medinol, however, explains that in the unique context of a

18 Blonder-Tongue and progeny collateral estoppel analysis,

19 plaintiff's argument is not well-taken. In Medinol, the plaintiff

20 argued that not all of the relevant issues were necessarily decided

21 in prior litigation. 341 F. Supp. 2d at 318. The plaintiff

22 contended that the defendant could not "point to any element of the

23 jury's obviousness determinations that necessitated a finding that

24 all the prior art cited by [the defendant in the prior litigation]

25 teaches what [that defendant] argued it taught and that there was

26 a general motivation to combine all of that art." Id.

27   The Medinol court rejected this argument for two reasons.

28 First, it noted, non-patent collateral estoppel cases were

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distinguishable. The court explained that the defendant sought

collateral estoppel with respect to the jury's "finding of

obviousness" regarding certain claims. Id. The court stated:

> It is undisputed that the jury found that every element
> of those claims is disclosed in the prior art and that
> motivation existed for a person of ordinary skill in the
> art to combine the limitations disclosed in these claims.
> . . . Because it is the finding of obviousness over the
> prior art that forms the basis of this collateral
> estoppel motion, the (non-patent) cases upon which [the
> defendant] relies, . . . are distinguishable.

Id. at 318-19 (citations and footnotes omitted).

Second, the court explained that "although in general there is

no different law of collateral estoppel for patent cases, patent

cases undoubtedly raise unique concerns." Id. at 319 (internal

quotation omitted). The court noted that "[i]f estoppel is denied

because multiple prior art references support the jury's finding of

invalidity for obviousness, the implication will be that a jury

verdict could only be accorded preclusive effect if the verdict

rests on a single prior art reference." Id. at 320. The court

concluded that this was contrary to the Supreme Court's concern,

expressed in Blonder-Tongue, of costly relitigation of patent

issues. Id. It stated, "this theory would require a full-blown

obviousness analysis of every claim element, forcing a wasteful

relitigation of every facet of obviousness regarding an invention

that has already had its day in court." Id. It further rejected

the theory as not being required by the test articulated in

Westwood, Bourns, and Interconnect. Id.

I agree with the Medinol court's analysis. If plaintiff's

argument prevailed, collateral estoppel would never be available to

a defendant in a subsequent case when multiple prior art references

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1 were relied upon in a prior proceeding. It is unrealistic to

2 expect a jury verdict to reveal exactly what pieces of the prior

3 art, or combinations of the prior art, the jury relied on to

4 invalidate particular elements of claims. The issue to be accorded

5 preclusive effect is the XAP jury's determination of obviousness,

6 for which the relevant question is whether the unadjudicated claims

7 raise any new issues as to the prior art that was before the jury

8 in the XAP case.

9   A. The Claims

10   The '042 patent has 44 claims. Four claims are independent:

11 Claims 1, 16, 32, and 38. In the XAP case, Claims 16, 18-22, 28,

12 32, 33, 36, and 38, were presented to the jury and all were found

13 invalid for obviousness. Thus, the unadjudicated claims are 1-15,

14 17, 23-27, 29-31, 34, 35, 37, and 39-44.

15   At oral argument, plaintiff's counsel stated that certain

16 slides prepared for display at oral argument suggested which of the

17 unadjudicated claims plaintiff contends have distinctive elements.

18 Transcript of Oral Arg. at p. 8 (dkt #693). Plaintiff's counsel

19 indicated that if the Court did not see the claim itemized in

20 plaintiff's slides five through nine, then plaintiff was not

21 contesting collateral estoppel as to that claim. Id. Plaintiff's

22 counsel further indicated, however, that he wanted the opportunity

23 to confirm the information in the slides. Id. Following oral

24 argument, the Court has received no express confirmation from

25 plaintiff. I take this to mean that plaintiff has no new arguments

26 to present, other than what is in the slides, and that the Court

27 may properly rely on plaintiff's counsel's statements that if a

28 claim is not noted in slides five through nine, plaintiff does not

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1 challenge the application of collateral estoppel to that claim.

2   My review of the slides indicates that plaintiff does not

3 contest that it is collaterally estoped from challenging the

4 invalidity of Claims 17, 23, 30, 31, 35, 39, 43, and 44.

5 Nonetheless, out of an abundance of caution, I discuss all of the

6 unadjudicated claims.

7   B.   Independent Claim 1

8   Claim 1 is similar to invalid independent Claim 16. Claim 1

9 states as follows, with underlined portions also found in Claim 16

10 and bracketed portions found only in Claim 16, but not in Claim 1:

11   A method of processing over a computer network forms
           directed by multiple public forms users to multiple
12   institutions of higher education, the forms being
           processed by a third party forms servicer that is neither
13   one of the [multiple] institutions of higher education
           nor one of the public forms users, the method comprising:
14
           presenting to a form user over a computer network
15   by a third party forms servicer in response to a
           request from the form user, a form directed to one
16   of the multiple institutions of higher education,
           the form being generated by a forms generator that
17   generates multiple forms corresponding to multiple
           institutions of higher education, the forms
18   generator generating forms that are customized in
           appearance and content in accordance with the
19   preference of the institution to which each of the
           forms is directed and that include an indication of
20   source corresponding to the institution to which
           each of the forms is directed so as to provide to
21   the users of the forms the appearance that the
           forms are associated with the specific institutions
22   to which they are directed, the forms including
           fields for the forms users to enter user
23   information;

24   entering user information onto the form;

25   entering payment information;

26   receiving by the third party forms servicer over
           the computer network user information and
27   electronic payment information entered by the user;

28   processing by the third party forms servicer an

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1   <u>electronic payment associated with the form, the
2   processed payment being from the user to the one of
     the multiple institutions to which the form is
3   directed</u>;

4   <u>processing</u> [providing] <u>by the third party forms
     servicer the user information</u> in accordance with
     the preferences of [to] <u>the institution</u> of higher
5   education <u>to which the form is directed</u> to make the
     user information available to the institution <u>in a
6   format specified by the institution, the third
     party forms servicer thereby providing to public
7   users customized forms identified with
     institution[s] of higher education and providing to
8   the institutions custom-formatted data, while
     relieving the institution of the administrative
9   burden of processing forms and payments.</u>

10   Deft's Exh. 1B ('042 patent at 35:1-44; 36:32-57) (hereinafter

11   referred to only by column and line number).

12   1. Additional Elements Creating No Substantive Change

13   The differences in language as to "multiple institutions of

14   higher education," and "multiple institutions," or as to "neither

15   one of the institutions of higher education," or "neither one of

16   the multiple institutions," are insubstantial.   No further

17   discussion of these differences is required.

18   The addition of the phrase "in response to a request from a

19   form user," is also insubstantial because while this phrase is not

20   expressly recited in invalid Claim 16, the introductory paragraph

21   of invalid Claim 16, seen also in Claim 1, reveals that the forms

22   being processed by the third party forms servicer are forms

23   directed by multiple public form users to multiple institutions and

24   thus, the language in Claim 1 that the third party forms servicer's

25   presentation of a form to a form user is in response to a request

26   form a form user, is not a substantive addition to what is recited

27   in invalid Claim 16.   That is, this additional phrase in Claim 1

28   simply makes express what is already impliedly disclosed in invalid

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1 Claim 16 - the form user is provided a form by the third party

2 forms servicer in response to the form user's request because the

3 process disclosed is one where the form user is directing the form

4 to the institution and thus, the form user initiates the process.

5 Additionally, the phrase raises no new issues because it recites a

6 narrower function than what is recited in invalid Claim 16 which is

7 broader in that invalid Claim 16 has no limit or delineation of who

8 has made a request for the presentation of the form, but more

9 generally discloses the function of presenting.

10   Next, Claim 1 recites two functions not expressly recited in

11 invalid Claim 16: entering user information onto the form, and

12 entering payment information. These two additional elements are

13 not substantively different from the function disclosed by invalid

14 Claim 16. Invalid Claim 16 recites, as does Claim 1, "receiving by

15 the third party forms servicer over the computer network user

16 information and electronic payment information <u>entered by the</u>

17 <u>user</u>." 36:42-44 (emphasis added). The fact that Claim 1 extracts

18 part of this element and restates it separately, preceding the

19 function of receipt of the information by the forms servicer, does

20 not make these elements a substantive addition because invalid

21 Claim 16 already discloses that user information and payment

22 information are entered by the user.

23   2.   Additional Elements Substantively Different

24   The second full paragraph of Claim 1 contains a limitation not

25 recited in invalid Claim 16. This limitation discloses that the

26 form presented to the form user by the third party forms servicer

27 is generated by a forms generator which can (1) generate multiple

28 forms which are (2) customized in appearance and content in

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1 accordance with the preference of the institution to which the form

2 user will direct the form, and which (3) include an indication of

3 source corresponding to the institution to which each of the forms

4 is directed so that the form appears to the form user to be

5 associated with the institution to which the form user is directing

6 the form.

7   This limitation introduces three different functions - the

8 generation of multiple forms, customizing them according to the

9 institution's preferences, and indicating a source so the form

10 appears to be associated with the institution. Defendant contends

11 that each of these three additional functions is present in the

12 prior art and the combination of prior art.

13   a. Generation of Multiple Forms

14   Defendant contends that the ApplyWeb I prior art reference

15 discloses this function. Defense witness Barbara Frederiksen

16 testified at the XAP trial that "the form that was prepared by the

17 ApplyWeb system will be presented to the user over the network,

18 that could be any one [of a number] of forms for multiple different

19 institutions." Deft's Exh. 3B[7] at p. 1535. Additionally, ApplyWeb

20 I provided applications to multiple institutions of higher

21 education, including California State University at Chico and the

22 University of Wisconsin. Id. at pp. 1515-16.

23   Frederiksen testified that "[t]his [referring to Exhibit 376]

24 is the second application. This is for California State University

25 at Chico. And again, this is an application that will be generated

26

27   [7] Defendant's exhibits are appended to the February 29,
    2008 Affidavit of Kathleen Bricken, submitted in support of
28 defendant's summary judgment motion on collateral estoppel.

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1   by the ApplyWeb system." Id. at p. 1515. Frederiksen then

2   testified that the "form for Chico include[s] fields that were not

3   in the University of Wisconsin form?" Id. at p. 1516.

4   b. Customization & Indication of Source

5   Plaintiff's witness Michael Hitchcock explained that in the

6   ApplyWeb I system, "there [was] one of those .in files for each

7   form for each school . . . [;] [the .in files] were used to

8   [customize] the form[; and] they would cause the different

9   questions that the school wanted on that form to show up as HTML

10 form controls." Deft's Exh. 3A at p. 578.

11   Frederiksen testified that the

12   .in files . . . specify both the selection of fields that
             will be present on the form [and] the order of those
13   fields. They specify information about how the form will
             be branded for the university, such as the name of the
14   university, the title of the form, the logo of the
             university. They provide the university-specific fee.
15   On the examples we saw, that we just looked at, they were
             different fees for the different universities.
16
    Deft's Exh. 3B at pp. 1522-23. Frederiksen also testified that, in
17
    ApplyWeb I, "the institution determines what its application should
18
    look like. And again, that determination is both used for the
19
    collection of data and the subsequent presentation of the data back
20
    to the institution." Id. at p. 1543.
21
         Dr. Justin Tygar testified that the XAP Legacy System
22
    supported multiple institutions and had "custom forms for different
23
    institutions." Id. at pp. 1632-33. The XAP Legacy System
24
    presented information specific to the institution. Id. at p. 1632.
25
         I agree with defendant that the prior art teaches the
26
    functions expressed in this part of Claim 1. Both ApplyWeb I and
27
    the XAP Legacy System serviced multiple institutions. They also
28

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1 provided forms customized, designed, and formatted for each

2 institution. The prior art discloses the ability to brand forms

3 for each institution, including the name and logo of the

4 institution, and the title of the form.

5   The next substantive difference appears in the last full

6 paragraph of Claim 1. Although it is similar to the last full

7 paragraph of invalid Claim 16, it begins with the word "processing"

8 instead of "providing," and discloses that the third party forms

9 servicer processed user information "in accordance with the

10 preferences of the institution" in order "to make the user

11 information available to the institution[.]" 35:34-38. The

12 function disclosed by this additional language is making the user

13 information available to the institution by processing the user

14 information, or providing the user information to the institution,

15 in accordance with the institution's preferences.

16   I agree with defendant that this function is disclosed in the

17 prior art. Dr. Tygar testified that the CollegeEDGE system was

18 "able to supply data in a format selected by an institution."

19 Deft's Exh. 3B at p. 1645. Dr. Tygar also testified that the XAP

20 Legacy System was able to provide data in more than one format,

21 that it had custom forms for different institutions, and it would

22 format the data in the format required by the institution. Id. at

23 pp. 1630, 1633.

24   Frank Tansey also testified that the XAP system had "multiple

25 formats . . . probably four different formats . . . [a]nd so a

26 school could just indicate what format they wanted to receive it,

27 and when they downloaded their information, it would come in that

28 format." Id. at pp. 1346-47.

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1   Finally, two witnesses indicated that ApplyWeb I provided

2 applicant data to the intended institution as desired by the

3 institution. Id. at p. 1427 (witness Jon Batcheller noted that

4 under ApplyWeb I, the system would provide different groupings of

5 information in its transmission of data to a school, to match the

6 information on each school's application); 1541 (Frederiksen

7 testified that ApplyWeb I prepared information for transmission to

8 the university in the order "specified in the university's .in

9 file[,]" allowing "each institution [to] see[] things in a tailored

10 view that they've specified via the .in file.").

11   In comparing Claim 1 to invalid Claim 16, all of the recited

12 elements in Claim 1 are either identical to elements found in

13 invalid Claim 16, are not substantively different from those found

14 in invalid Claim 16, or are disclosed in the same prior art

15 considered by the XAP jury. Nonetheless, as the cases make clear,

16 Claim 1 is not rendered invalid by collateral estoppel simply

17 because the additional, substantively different elements are all

18 found in the prior art. Rather, the court must determine whether

19 the additional element(s), when viewed in combination with the rest

20 of the claim, raises any new factual issues, reserved for the

21 factfinder, as to whether the claimed combination as a whole is

22 distinguishable from the prior art. I agree with defendant that

23 when viewed in combination, the presence of the additional,

24 substantively different elements, raises no new factual issues

25 regarding Claim 1.

26   Plaintiff contends that Claim 1's claimed combination as a

27 whole reveals two notable distinctions over invalid Claim 16.

28 First, as to the second full paragraph of Claim 1 and its

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1 recitation of a forms generator generating multiple, customized

2 forms which indicate a source, plaintiff argues that this element

3 provides a function which facilitates the efficient rendering of

4 multiple customized forms without requiring complicated

5 programming.

6   Plaintiff cites to testimony from an unidentified witness in

7 the XAP case who explained that the "forms generator would . . .

8 understand what was required [of the application description of a

9 particular institution and] . . . would go look in the applicant

10 database to see . . do we have any information on in [sic]

11 applicant yet?" Exh. 1 to Monkress Declr. at p. 608.[8] The witness

12 then stated that the forms engine interprets the application

13 description information for a particular institution "in order to

14 create a form." Id. at pp. 609-10.

15   Plaintiff contends that this additional element, when viewed

16 in combination with Claim 1's other elements, benefits institutions

17 and users by reducing burdens associated with the application

18 process, and also reduces the burden on the forms servicer to

19 create and maintain customized forms for each institution.

20   The problem is that this is not a distinct function. First,

21 invalid Claim 16 expressly mentions relieving the institution of

22 the burden of processing forms.

23   Second, the reduction of a burden on the user is inherent in

24 the function. That is, the ease of filling out an electronic form,

25 thereby eliminating the need for a paper application, is the

26

27

28   [8] Page 492 of this exhibit suggests the witness was David
    Maier.

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1 principal benefit to the user. To the extent plaintiff contends

2 that the burden on the user is eased because when the user

3 completes a second form, the forms generator is able to "look in

4 the applicant database," and insert user information into the

5 second form, that is not a function disclosed in Claim 1.

6   Additionally, nothing in Claim 1 indicates that its function

7 is to ease a burden on the forms servicer. Plaintiff fails to

8 explain how Claim 1 accomplishes such a function. The third party

9 forms servicer is defined as "the business entity hosting the forms

10 engine software." Exh. 3 to Monkress Declr. at p. 3. "Forms

11 generator" and "forms engine program" were both defined as "a

12 software program, which, with or without additional software

13 programs, creates or generates multiple forms corresponding to

14 multiple institutions." Oct. 29, 2004 Findings & Rec. at p. 36

15 (adopted by Judge Brown May 13, 2005). The presence of a forms

16 generator in this element of Claim 1, defined as a software program

17 which creates or generates multiple forms, does not disclose a

18 function separate from any function seen in invalid Claim 16. If

19 Claim 1 does not disclose the function at all, or merely discloses

20 the same function as disclosed in invalid Claim 16, it cannot raise

21 new issues regarding the prior art.

22   Plaintiff also notes that the "indication of source" portion

23 of this particular claim element, when considered in combination

24 with the other elements in Claim 1, makes the claim distinguishable

25 from the prior art because the claimed combination benefits

26 institutions by facilitating the use of an independent forms

27 servicer to provide and host application forms without sacrificing

28 the brand identity for the institution. But, invalid Claim 16

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1 already recites that function by expressly stating that the third

2 party forms servicer provides the information to the institution in

3 a format specified by the institution, provides a customized form

4 identified with the institution to the user, and provides custom-

5 formatted data to the institution. Thus, the additional element,

6 even considered in combination with other elements of the claim,

7 presents no new issues as to the prior art, or as to a motive to

8 combine the prior art.

9   There is no substantive distinction between Claim 1 and

10 invalid Claim 16 creating new factual issues regarding the prior

11 art. The XAP jury, to invalidate Claim 16, had the same prior art

12 references before it and necessarily found that the prior art

13 recited the functions in invalid Claim 16 either directly or in

14 combination. Because, even when viewed in combination, no

15 significant differences or functions emerge, collateral estoppel

16 invalidates Claim 1.

17   C. Dependent Claims 2 and 17[9]

18   Claim 2 states: "The method of claim **1** in which entering the

19 payment information includes entering payment information onto the

20 form." 35: 45-47. Claim 17 states: "The method of claim **16** in

21 which entering payment information includes entering payment

22 information onto the form." 36:58-60.

23   "Entering payment information onto the form," is defined as

24 "entering the payment information in some designated data field(s)

25 of the form generated by the forms engine program and customized in

26 _____

27   [9] As noted earlier, Claim 17 is one of the claims to which
   plaintiff does not challenge the application of collateral
28 estoppel.

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1 its appearance and content in accordance with the preferences of

2 the institution."   Oct. 29, 2004 Findings & Rec. at p. 25.

3 Defendant contends that the function is taught by the prior art.

4   Frederiksen testified that forms generated by ApplyWeb I

5 "collected payment information."   Deft's Exh. 3B at p. 1548; see

6 also Id. at p. 1535 (Frederiksen testified that forms generated by

7 ApplyWeb I "had at least two pages to the form, the initial page in

8 which the user would enter data, and a second page in which they

9 would enter payment information so that the application could be

10 processed by the institution.").   Frederiksen also testified that

11 ApplyWeb I had a validation system which caused "the payment

12 authorization to be validated so that the user could know that they

13 had entered a valid card number and a valid date."   Id. at p. 1549.

14   I agree with defendant that the function recited in Claims 2

15 and 17 is in the prior art.   Even when Claim 2 is considered in

16 combination with Claim 1, from which Claim 2 depends, and even when

17 Claim 17 is considered in combination with invalid Claim 16, from

18 which Claim 17 depends, the additional element regarding entering

19 payment information onto the form in these unadjudicated claims

20 does not distinguish the claim combination as a whole from the

21 prior art.   The prior art considered by the XAP jury also recites

22 the function disclosed in Claims 2 and 17.   The XAP jury

23 necessarily combined the relevant prior art references to

24 invalidate Claim 16.   Because the function of entering payment

25 information is disclosed in Claim 16 ("electronic payment

26 information entered by the user"), there are no new issues

27 regarding the prior art or the motive to combine it in regard to

28 Claims 2 and 17.

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1   D.   Dependent Claims 3-6, and 12

2   Claims 3-6 and 12 are similar to invalid Claims 18-22 and 28.

3   Recited here are Claims 3-6 and 12, with underlined portions

4   identifying the identical language from the parallel invalid claim,

5   and brackets identifying language appearing only in the invalid

6   claim.

7   3.   The method of claim **1** [**16**] further comprising storing
          by the third party the user information entered onto the
8   form.

9   4.   The method of claim **3** [**18**] further comprising:

10   presenting over a computer network by a third party
               forms servicer in response to a request from the
11   form user, a second form directed to one of the
               multiple institutions of higher education; and
12
               automatically inserting into the second form user
13   information previously entered onto a form by the
               form user.
14
          5.   The method of claim **1** [**16**] in which receiving by the
15   third party forms servicer over the computer network user
     information and electronic payment information entered by
16   the user includes verifying that the user information
     satisfies criteria specified by the one of the multiple
17   institutions of higher education to which the form is
     directed.
18
          6.   The method of claim **1** [**16**] in which presenting to a
19   form [to a form] user over a computer network by a third
     party forms servicer in response to a request from the
20   form user, a form directed to one of the multiple
     institutions of higher education, includes presenting a
21   form including multiple pages.

22   12.   The method of claim **1** [**16**] further comprising
     verifying in accordance with validation criteria the user
23   information on a completed form when the completed form
     is submitted.
24
     36:61-67 - 37:3-11; 37:34-36.
25
          Claims 3, 4, 5, and 12 are identical to invalid Claims 18, 19,
26
     20, and 28, with the exception of the words "of higher education"
27
     in Claim 4 which do not appear in parallel invalid Claim 19.   As
28

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1 noted above, the presence of these additional words is

2 insignificant.   Given that these claims are identical to

3 invalidated claims, these additional elements present no new issues

4 as to the prior art.   This is true even when these claims are

5 considered in combination with the independent claim from which

6 they depend (or in the case of Claim 4, when considered in

7 combination with both dependent Claim 3, from which Claim 4

8 depends, and Claim 1, from which Claim 3 depends).

9   Claim 6 contains two phrases which do not appear in invalid

10 Claim 21: (1) "by a third party forms servicer in response to a

11 request from the form user"; and (2) "a form directed to one of the

12 multiple institutions of higher education."

13   Defendant contends that these additional phrases in Claim 6

14 add nothing of distinction because they merely repeat language

15 already recited in invalid Claim 16.   The relevant passage from

16 invalid Claim 16 reads:

17   presenting to a form user over a computer network by a
            third party forms servicer a form directed to one of the
18   multiple institutions, the forms including fields for the
            forms user to enter user information.
19
    36:37-40.
20
        Defendant contends that because the elements of Claim 6 are
21
    present in nearly identical invalid Claim 28, or are present in
22
    some part of invalid Claim 16, Claim 6 is invalid because the jury
23
    necessarily determined that the prior art discloses all elements of
24
    the invalid claims, and thus, the prior art must disclose all
25
    elements of the identically-worded, or nearly identically-worded,
26
    unadjudicated claim.
27
        I agree with defendant. First, I note that the one phrase in
28

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1   Claim 6 that is not recited in invalid Claim 28 or in the relevant

2   portion of invalid Claim 16 quoted immediately above, is the phrase

3   "in response to a request from the form user."   However, as

4   explained above in the discussion of Claim 1, this is an

5   insubstantial addition.   Second, the limitation that Claim 6 adds

6   to Claim 1, from which Claim 6 depends, is that the form being

7   presented to the form user by the third party forms servicer which

8   is then directed to an institution, includes a multiple-page form.

9   But, this limitation is expressly recited in invalid Claim 21.

10 Thus, the jury must have concluded that the prior art taught that

11 particular limitation.   Accordingly, the additional element

12 presented in Claim 6 raises no new prior art issues.   This is true

13 even when Claim 6 is considered in combination with Claim 1.   The

14 additional element in unadjudicated Claim 6, when considered in

15 combination with Claim 1, does not distinguish the claimed

16 combination from the prior art.

17   E.   Dependent Claims 39 and 43[10]: Receiving User Information

18   Claims 39 and 43 both depend from invalid Claim 38.   Claim 39

19 states:

20   The method of claim **38** in which receiving by an
            institution from a third party forms servicer user
21   information in a format specified by the institution
            includes receiving by an institution of higher education
22   from a third party forms servicer user information
            derived from a customized admissions application form
23   branded to the institution.

24 38:62-67.

25   Claim 43 states:

26 _____

27   [10]   As noted above, Claims 39 and 43 are claims to which
    plaintiff does not challenge the application of collateral
28 estoppel.

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1
2
3
4

> The method of claim **38** in which receiving by an institution from a third party forms servicer user information in a format specified by the institution includes receiving by an institution from a third party forms servicer user information in a format specified by the institution, the information being derived from a multiple page form directed to the institution by a form user.

5

40:10-16.

6

7   Defendant argues, and I agree, that Claims 39 and 43 recite

8   similar functions: receipt by the institution of user information

9   in a format specified by the institution, the user information

10   being derived from a custom, multiple-page application form branded

11   to the institution, the form having been directed to the

12   institution by the form user. These concepts, however, are not

13   distinctive and do not present new issues as to the prior art.

14   As discussed above, the patented system's function of

15   generating a form customized to the institution and branded by the

16   institution, is already recited in parts of Claim 1 and invalid

17   Claim 16. The discussion of Claim 1 further shows that these

18   functions are recited in the prior art.

19   Other prior art evidence reinforces this conclusion and shows

20   that the concept of multi-page applications was known in the prior

21   art. The CollegeEDGE system allowed institutions, such as Boston

22   College and the Massachusetts Institute of Technology (MIT), to

23   customize their multi-page application forms. Deft's Exh. 7 at p.

24   1 (copy of XAP's Exh. 1360 showing information provided by

25   CollegeEDGE indicating that its program provided "exact replica

26   printing . . . [to] allow students to create paper applications

27   that look exactly like the paper version using a browser . . .");

28   Id. at pp. 2-3 (pages of CollegeEDGE's application forms for Boston

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1 College and MIT which show distinct forms for each institution);

2 Deft's Exh. 3B at p. 1649 (Dr. Tygar testified that the

3 CollegeEDGE's MIT form was multi-page).

4   The XAP Legacy System generated custom forms and formatted the

5 data in the format requested by the institution. Id. at p. 1633

6 (Dr. Tygar testimony).   It also allowed for multi-page

7 applications. Id. at p. 1637 (same).

8   The prior art discloses the additional element recited by

9 these two claims: institutions receive user information from a

10 third party forms servicer, derived from a customized, multiple-

11 page form.   The additional element in these claims, when

12 considered in combination with invalid independent Claim 38, from

13 which they depend, fail to add any kind of distinguishing function

14 which would distinguish them from the prior art or the combination

15 of prior art. Given that the XAP jury considered these prior art

16 references in combination to invalidate several of the '042

17 patent's claims, there are no new issues presented as to the

18 combination of prior art.

19   F.   Dependent Claims 37 and 41: Automatic
                 Population of Forms

20

        Unadjudicated Claim 37, which depends from invalid Claim 32,

21
    states:

22
        The apparatus of claim **32** further comprising computer
23   accessible memory storing a user data database that
        stores information entered onto a form by the form user
24   and computer instructions for automatically inserting
        stored user data into subsequent forms requested by the
25   user.

26 38:33-37. The notable limitations of this claim are: (1) a "user

27 data database that stores information onto a form by the form

28 user," and (2) "computer instructions for automatically inserting

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1 stored user data into subsequent forms." 38:33-77.

2   While Claim 37 separately delimits these functions, they are

3 not new in the patent because they are recited in the invalid

4 claims, as well as in the prior art.

5   First, invalid Claim 36 recites storing information, more

6 specifically, "instructions," from the first form and automatically

7 inserting this stored information into a second form. Second,

8 invalid Claim 18 recites a limitation of the third party forms

9 servicer storing the user information that has been entered onto

10 the forms. 36:61-63. Third, invalid Claim 19 recites, in part,

11 the function of "automatically inserting into the second form user

12 information previously entered onto a form by the form user."

13 37:1-2.

14   Because the functions recited by Claim 37 are already

15 invalidated as part of other invalid claims, I find that Claim 37

16 presents no new issues as to the scope and content of the prior art

17 or as to any differences between the claim and the prior art. Even

18 when Claim 37 is considered in combination with Claim 32, the

19 independent claim from which it depends, no new issues are

20 presented.

21   Plaintiff argues that the storage of user data into a user

22 data database is the distinguishing feature of Claim 37. Plaintiff

23 argues that the claimed combination allows the storage of user data

24 into a database to be accessed by a computer and automatically

25 inserted into subsequent forms. Plaintiff relies on testimony by

26 Michael Hitchcock who explained that a piece of the ApplyWeb 2

27 design, which was an improvement over the prior version of the

28 ApplyWeb system, was "coming up with a database schema to define

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1 the data elements and to, what's called atomize the data, break it

2 into its smallest pieces and store them individually, so that they

3 are accessible one by one." Pltf's Exh. 1 at p. 558.

4   But, the prior art recites a similar function. The

5 CollegeEDGE system used a "profile," where the applicant included

6 a variety of personal information before filling out his or her

7 first application. Deft's Exh. 3A at pp. 1199-1201 (testimony by

8 Young Shin describing profile data which included items such as

9 name and address and stating that when a student began to work on

10 a separate, new application for a different school, the system

11 would "prepopulate" the new application with the common data). The

12 "profile" information was stored in a database until the applicant

13 was ready to fill out applications. Deft's Exh. 3B at p. 1647 (Dr.

14 Tygar testimony). Once the applicant filled out the profile,

15 CollegeEdge "would use [the profile] to automatically fill in later

16 forms." Id.

17   Dr. Tygar also testified about the XAP Legacy System which

18 took the "information the student typed in," stored "it in the

19 database," and then copied "information from the first application

20 into the second." Deft's Exh. 3B at p. 1634. The ApplyWeb I

21 system also stored information that the user entered on the form

22 "in the Illustra database[.]" Id. at p. 1547 (Frederiksen

23 testimony). The system would then read the information out of this

24 database and put it in a second form. Id. at p. 1548.

25   Again, the function plaintiff contends distinguishes the

26 claimed combination in Claim 37 from the prior art, is taught by

27 the prior art. There are no new prior art issues created by Claim

28 37 when considered alone or in combination.

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1   Unadjudicated Claim 41, which depends from invalid Claim 38,

2   states:

3   The method of claim **38** in which receiving by an
         institution from a third party forms servicer user
4   information in a format specified by the institution
         includes receiving by a first institution from a third
5   party forms servicer user information in a format
         specified by the first institution, the user information
6   being derived from a form customized for and primarily
         identified with the first institution, the user
7   information including information that was:

8   posted by the form user on a previously completed
             form customized for and identified primarily with a
9   second institution,

10   stored by the third party forms servicer, and

11   automatically inserted into the form customized for
             and identified with the first institution, thereby
12   allowing the form user to enter information on a
             form associated with one institution the
13   information being saved and automatically inserted
             into a subsequent form associated with a different
14   institution.

15 39:6-19 - 40:1-4.

16   While lengthy, this claim discloses three primary functions:

17 (1) using a first customized form to collect user data; (2) a third

18 party forms servicer storing that data; and (3) automatically

19 populating a second form with the stored user data.[11]

20 _____

21   [11] The claim language is confusing. The primary focus of
    the claim addresses the automatic insertion of user information
22 from one form to another. The way it is written, however, is
    inconsistent with the final summary provision disclosing what the
23 claim allows. The first paragraph of the claim indicates that
    the user information which the first institution receives from
24 the third party forms servicer is derived from the first
    institution's customized form. Then, the claim states that this
25 information includes information the user previously completed on
    a customized form for a second institution. The claim continues
26 by stating that this information posted by the user on the second
    institution's form, is then automatically inserted into the first
27 institution's form. The claim then concludes by reciting the
    function it attempts to achieve: the form user enters information
28

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1   Defendant contends that the functions already disclosed in the

2   invalid claims noted above in the discussion of Claim 37, and the

3   prior art defendant cited in support of its argument directed to

4   Claim 37, show that the additional limitations in Claim 41 are

5   found in the prior art or the combined prior art and that whether

6   Claim 41 is viewed singly or as part of the claimed combination

7   with invalid Claim 38, from which it depends, there are no new

8   issues regarding the prior art.

9   Plaintiff contends that the limitation of automatic insertion

10   into the second form disclosed in Claim 41 facilitates data across

11   customized application forms to reduce the amount of redundant data

12   entry by forms users, while still allowing institutions to

13   customize online forms to their preferences, using different field

14   labels and the like. Plaintiff cites to portions of the detailed

15   description part of the patent which indicate that the claim allows

16   the forms engine to recognize when the same information is being

17   described (in a second form) by different labels or entered in a

18   different format on different application forms. 7:40-8:2. Thus,

19   the information can be inserted into subsequent applications

20   regardless of differences in the entry format and labels in the

21   _____

22   on a form for one institution which is saved and then
     automatically inserted into a subsequent form for a different
23   institution. The problem is that the claim function recited at
     the end (user information being saved and then repopulated into a
24   subsequent form) is at odds with the previous recitation that the
     user information from the second institution's form is
25   automatically inserted into the first institution's form. I fail
     to understand how the first completed form can be derived from
26   the second institution's form. Since "second" suggests that it
     follows "first," and "subsequent" refers to following in time or
27   order, it is illogical to speak of the first form being the
     subsequent one.
28

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1 first and subsequent applications.

2   I agree with defendant that the purported distinguishing

3 feature of Claim 41 directed to automatic insertion of previously

4 entered user information onto a second, customized form, are

5 recited in the invalid claims and the prior art. All of the

6 invalid claims and prior art noted above in the discussion of Claim

7 37 is relevant here. Additionally, while none of these invalid

8 claims or prior art expressly address the feature allowing

9 automatic insertion of previously stored user information into a

10 second form even when the second form may ascribe a different label

11 to that user information, such a feature is inherent in the

12 disclosed system. By expressly disclosing the ability to generate

13 customized forms for each institution, and by expressly disclosing

14 the ability to automatically populate a second form with previously

15 stored user data, the claims disclose a system which must be able

16 to automatically populate that second form with the same data,

17 regardless of its label. Thus, Claim 41 does not disclose a

18 distinctive feature. The jury determined in the XAP case that the

19 combined prior art invalidated the same functions which are claimed

20 in Claim 41. Thus, Claim 41, whether considered singly or in

21 combination, raises no new prior art issues.

22   G.   <u>Dependent Claim 7 and Others Containing Validation
             Functions: 8, 9, 10, 11, 13, 14, 23, 24, 25, 26, 27, 29,</u>
23   <u>30, 34, 35, 42[12]</u>

24   Several of the '042 patent claims recite some kind of

25

26   _____

27   [12] As noted above, Claims 23, 30, and 35 are claims to
    which plaintiff does not challenge the application of collateral
28 estoppel.

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1 validation limitation.[13]   The XAP jury invalidated the four that

2 were at issue in the XAP case: Claims 20, 22, 28, and 33.

3   1.   Four Invalid Claims with a Validation Function

4   a.   Invalid Claim 20

5   The method of claim **16** in which receiving by the
   third party forms servicer over the computer network user
6 information and electronic payment information entered by
   the user includes verifying that the user information
7 satisfies criteria specified by the one of the multiple
   institutions to which the form is directed.
8
   37:3-8.
9
                   b.   Invalid Claim 22
10
           The method of claim **21** further comprising verifying
11 in accordance with validation criteria user information
   on each of the multiple pages after each page is
12 completed.

13 37:11-13.

14   c.   Invalid Claim 28

15   The method of claim **16** further comprising verifying
   in accordance with validation criteria the user
16 information on a completed form when the completed form
   is submitted.
17
   37:34-36.
18
                   d.   Invalid Claim 33
19
           The apparatus of claim **32** in which the computer
20 accessible memory storing computer instructions stores
   instructions for verifying, in accordance with
21 verification criteria, user information on each page of
   a multiple page form after the page is completed.
22
   38:10-14.
23
      By invalidating these four claims, the XAP jury necessarily
24
   determined that the function of validating or verifying user and
25

26   [13] As plaintiff's own expert, Dr. David Maier, admitted at
27 the XAP trial, there is no "significant difference" between the
   terms "validation criteria" and "verification criteria." Deft's
28 Exh. 3A at p. 691.

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1 electronic payment information to ensure it satisfies the criteria

2 of the particular institution, is taught by the prior art or the

3 combination of prior art. The XAP jury also necessarily determined

4 that the function of validation on a page by page basis and the

5 function of validation of a completed form, are taught by the prior

6 art or the combination of prior art. Finally, the XAP jury also

7 necessarily determined that the system's storage of computer

8 instructions for the page by page validation function, is taught by

9 the prior art or the combination of prior art.

10   Defendant argues many of the unadjudicated data validation

11 claims are invalid because they (1) include only a data validation

12 feature already invalidated in the XAP case; or (2) include the

13 data validation feature already invalidated in the XAP case with an

14 additional feature that does not add patentable significance.

15 Defendant separates this "additional" data validation feature into

16 two categories: (1) claims that specify the timing of the data

17 validation feature, namely, whether it be performed on each page as

18 it is posted, or the entire form when it is completed, or both; or

19 (2) claims that specify the location of the validation step,

20 whether at the client computer, server computer, or both.

21   2.   Validation on Page-by-Page or Completed Form Basis
                     - Claims 7, 10, 25, 34, and 35
22
                 a. Claim 7
23
       Claim 7 states: "The method of claim **6** further comprising
24
   verifying in accordance with validation criteria user information
25
   on each of the multiple pages as they are posted." 36:1-3. Claim
26
   7 is identical to invalid Claim 22, except that Claim 7 depends
27
   from Claim 1 via Claim 6, and invalid Claim 22 depends from invalid
28

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1 Claim 16.   There is no substantive difference between Claim 7 and

2 the   adjudicated   claim,   whether   the   unadjudicated   claim   is

3 considered singly or in combination with the claims from which it

4 depends.

5   b.   Claim 35

6   Claim 35 states: "The method of claim **32** in which the

7 computer accessible memory storing computer instructions stores

8 instructions   for   verifying,   in   accordance   with   verification

9 criteria, user information on the form when the form is completed."

10 38:20-24.

11   Claim 35 is similar to invalid Claim 28, quoted and discussed

12 above.   Invalid Claim 28, which depends from invalid Claim 16,

13 recites a limitation of verifying, in accordance with validation

14 criteria, user information on a completed form when the completed

15 form is submitted.

16   Claim 35 depends from invalid Claim 32 and particularly refers

17 to the part of invalid Claim 32 reciting a limitation for an

18 apparatus   including   computer   accessible   memory   in   data

19 communication with the processor which stores computer instructions

20 for the performance of various functions.   Claim 35 recites that

21 the   computer   accessible   memory   storing   computer   instructions

22 recited in invalid Claim 32, includes storage of instructions for

23 verifying,   in   accordance   with   verification   criteria,   user

24 information on the form when the form is completed.   38:20-24.

25 Both claims are directed to validation criteria on a completed form

26 when the form is submitted.   Claim 35 adds the storage of the

27 computer instructions to enable the stated function.   Thus, Claim

28 35 does not recite a limitation for the actual verification

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1   process, but rather, recites a limitation for the storage of the

2   computer instructions for the verification process of a form when

3   it is completed.

4   But, as noted above, the function of the storage of computer

5   instructions generally is recited in invalid Claim 32. And, the

6   function of the storage of computer instructions for verification

7   criteria is disclosed in invalid Claim 33. The fact that Claim 35

8   addresses storage of computer instructions for verification of a

9   completed form as opposed to the page by page verification as

10 recited in invalid Claim 33, is an insubstantial difference. That

11 is, there is no substantive difference between Claim 35 and invalid

12 Claims 28, 32, and 33, whether Claim 35 is considered singly or as

13 a claimed combination. Thus, collateral estoppel is appropriate.

14   c. Claims 10 and 25

15   Claim 10 states:

16   The method of claim **6** further comprising verifying in
       accordance with first validation criteria user
17   information on each of the multiple pages as they are
       posted and verifying in accordance with second validation
18   criteria user information when a completed form is
       submitted.

19 36:10-14.

20
       Claim 25 states:
21
       The method of claim **21** further comprising verifying in
22   accordance with first validation criteria user
       information on each of the multiple pages as they are
23   completed and verifying in accordance with second
       validation criteria user information when the completed
24   form is submitted.

25 37:20-24.

26   With the exception of one word, and the claim from which they

27 depend, these claims are identical. The only difference in

28 language is that Claim 10 addresses page by page validation as each

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1 page is "posted," and Claim 25 addresses page by page validation as

2 each page is "completed." The difference between posting and

3 completing is insubstantial.

4 The function disclosed by the two claims is verifying

5 information on a page by page basis and then separately verifying

6 information once the form is completed. As can be seen from the

7 previous discussion, this function is not "additional" or new

8 because it is disclosed in other, invalidated claims such as Claims

9 22 and 28.

10 These claims do, however, introduce the new feature of first

11 and second validation criteria. Defendant argues that the concept

12 of different sets of validation criteria is recited in the prior

13 art, or the combination of prior art. I agree.

14 Validation criteria appear in several prior art references.

15 First, ApplyWeb I had the ability to run data validation on eight

16 fields to ensure that they were filled in. Pltf's Exh. 1 at p.

17 1757 (testimony by Hitchcock).

18 Second, CollegeEDGE included an "Inspector" feature which,

19 after students clicked on it, would automatically validate the

20 information on the particular page that the student was currently

21 viewing. Deft's Exh. 3A at p. 1217 (testimony of Shin that

22 CollegeEDGE had "quality checking or data validation" which "would

23 not let students submit an application unless it passed the data

24 validation rules."); Id. at p. 1218 (Shin testimony that when

25 CollegeEDGE's inspector button was pushed, the system "then ran

26 through the data validation rules and will show you anything that

27 failed the data validation rules so you can fix them."); Id. (Shin

28 testimony that the inspector feature also operated when the user

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1   tried to submit the application "so that you could not submit the

2   application until those data validation rules were passed."); see

3   also Deft's Exh. 3B at p. 1648 (testimony by Dr. Tygar that

4   CollegeEDGE had the ability to do data validation on a page by page

5   basis).

6   Allen Firstenberg testified that the XAP disk system checked

7   data entered by the user in each field. Deft's Exh. 3A at pp.

8   1260-61. He explained that in the disk system and in the XAP on-

9   line system, every data field was checked to make sure it was

10 complete so that where there was a defined format, such as a social

11 security number or telephone number, the system made sure it was

12 consistent. Id.

13   Firstenberg further explained the validation feature in the

14 XAP system:

15   [t]he student would see the beginning of the application
           and they would start typing in their responses. If -- if
16   and when they were finished with one page, they would hit
           "next page", and if they had made a mistake, if it was --
17   if the answers were inconsistent or if they left
           something out or if the format was incorrect, the system
18   would tell them before they went on to the next page.

19   They would do this page after page until the entire
           application was completed, in which case they would hit
20   "submit." The system would again check the entire
           application for consistency across pages, and if
21   everything was okay, ...

22 Id. at p. 1264.

23   Jessica Wagoner testified that the XAP system checked previous

24 answers and actually tailored data validation in response to future

25 questions. Deft's Exh. 3B at p. 1297. She explained that if

26 information in a required field was not entered, the user would get

27 an error on the screen when the user tried to proceed to the next

28 screen. Id. Additionally, the program would know that a required

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field for a first-time freshman would be an SAT score, but this was

not a required field for a transfer student. Id. at pp. 1297-98.

The XAP system also incorporated a dynamic validation system.

Frank Tansey described that the XAP system had multiple pages or

screens. Id. at p. 1332. When asked if the system could check

across screens, he answered:

> Yes. . . . Frequently we would collect information on
> one screen, and because what we were trying to do was to
> make this as logical as possible for the student, it
> might be more appropriate for us to ask the second
> question, the follow-up question within the context of a
> second or third or a fourth screen.

Id. at pp. 1332-33.

The XAP system also performed a final validation when the

application was submitted. Id. at p. 1471.

The prior art includes the features of data validation recited

in Claims 10 and 25. The prior art recites the function of data

validation at different stages of the process - both page by page

and when the form is completed. While the ApplyWeb I system

disclosed a fairly limited set of data that was validated, the

prior art includes CollegeEDGE, which had "rules," easily

understood as criteria, for data validation of a much wider scope

and on both a page by page or screen by screen basis, and when the

form was completed. Additionally, while the page by page

validation feature in CollegeEDGE appears to have been activated by

the "Inspector" button, the evidence suggests that it validated the

completed application automatically. Even if it did not, the XAP

system's validation feature was automatic.

The combination of the prior art teaches the feature claimed

in Claims 10 and 25. The XAP jury already determined that a person

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1 of ordinary skill in the art would have been motivated to combine

2 these prior art references and thus, it found all of the claims

3 presented to it for adjudication, invalid. This conclusion by the

4 XAP jury included the function of validating of the information on

5 a page by page basis (Claim 22) and of the completed form (Claim

6 28).

7   Plaintiff contends that the importance of the second

8 validation feature found in Claims 10 and 25 to the claimed

9 combination as a whole is that the "[c]laimed combinations allow

10 the use of a first and second set of validation criteria to ensure

11 multiple layers of consistency in user information entered on

12 forms, benefitting institutions and users with more accurate

13 application forms being submitted." Pltf's Mem. at pp. 11-12.

14   I disagree. As noted, the prior art teaches all of the

15 limitations in Claims 10 and 25 and even when looking at the

16 claimed combinations as a whole, that is, with the claims from

17 which Claims 10 and 25 depend, the additional recitation in Claims

18 10 and 25 of first and second validation criteria do not

19 distinguish these claims from the prior art.

20   It is clear from the language of the claims themselves that

21 the terms "first" and "second" validation criteria refer to

22 validation occurring first on a page by page basis, and second,

23 when the form is completed. Claim 10, quoted above, the first

24 claim to mention first or second validation criteria, recites two

25 functions: (1) verifying "with first validation criteria," user

26 information on each of the multiple pages as they are posted; and

27 (2) verifying "with second validation criteria," user information

28 when the completed form is submitted. Thus, first and second

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1 validation criteria carry no function separate from what is

2 implicitly disclosed in the claims which expressly recite

3 verification or validation on a page by page basis as distinct from

4 verification or validation of the completed form.   Accordingly,

5 the examination of the limitations in Claims 10 and 25, whether

6 singly or in as part of the claimed combinations as a whole,

7 produces no new issues regarding the prior art.

8   d.   Claim 34

9   Claim 34 states:

10   The apparatus of claim **33** in which the computer
    accessible memory storing computer instructions stores

11   instructions for verifying, in accordance with second
   verification criteria, user information on the form when

12   the form is completed.

13 38:15-19.

14   This claim is almost identical to Claim 35, discussed above.

15 Claim 34 covers an apparatus while Claim 35 covers a method. Claim

16 34 also refers to "second validation criteria."   Both claims

17 address storage of computer instructions verifying user information

18 on the form when the form is completed.

19   For the reasons explained above in the discussion of Claims 35

20 and then Claims 10 and 25, I conclude that the function expressed

21 in Claim 34 is found in other invalid claims and is recited in the

22 prior art.   Whether considered alone or in combination with the

23 claims from which it depends, no new prior art issues arise.

24   3.   Validation at Server and/or Client Location -
              Claims 8, 11, 14, 23, 27, and 30

25

26   Claims 8, 11, 14, 23, 27, and 30 all address verifying user

information and recite where such verification occurs.

27

28   Claim 8 recites a function of verifying information, on a page

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1 by page basis, at either a client computer or a server computer.

2 It states: "The method of claim **7** in which verifying in accordance

3 with validation criteria user information on each of the multiple

4 pages as they are posted includes verifying the user information at

5 a client computer or at a server computer." 36:4-7.

6   Claim 11 also addresses verification of information at the

7 client computer or server computer, but it recites more

8 specifically the location of verification by the first or second

9 validation criteria. It states: "The method of claim **10** in which

10 verifying user information in accordance with first validation

11 criteria includes verifying user information at a client computer

12 and in which verifying user information in accordance with second

13 validation criteria includes verifying user information at a server

14 computer." 36:15-20.

15   Claim 14 is similar to Claim 8 except that it addresses

16 verification of the completed form: "The method of claim **12** in

17 which verifying in accordance with validation criteria the user

18 information on the completed form includes verifying the user

19 information at a client computer or at a server computer." 36:27-

20 30.

21   Claim 23 addresses the verification of information at either

22 the server computer or the client computer, but not restricted to

23 either a page by page basis or the completed form: "The method of

24 claim **22** in which verifying in accordance with validation criteria

25 includes verifying the user information at a client computer or at

26 a server computer." 37:14-16.

27   Claim 27 is identical to Claim 11, except that Claim 11

28 recites that it depends from Claim 10, and Claim 27 recites that it

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1 depends from Claim 25. 37:28-33. Claim 30 is identical to Claim

2 14, except Claim 14 recites that it depends from Claim 12, and

3 Claim 30 recites that it depends from Claim 28. 37:40-43.

4   Invalid claims 20 and 28 disclose a "server-side" verification

5 function. As noted above, invalid Claim 20 recites the function of

6 the third party forms servicer receiving and verifying information.

7 Because "third party forms servicer" is "[t]he business entity

8 hosting the forms engine software," Pltf's Exh. 3, the disclosure

9 in Claim 20 that the third party forms servicer is verifying

10 information means that the verification is performed by the server

11 computer. See also 3:48-52 (the detailed description of the patent

12 noting that ". . . a third party application servicer[] uses

13 relational databases for storing information and communicates with

14 applicants and institutions over the World Wide Web[,]" thus

15 indicating that the third party forms servicer sits at the server

16 side of the client - server architecture).

17   I agree with defendant that the function of server-side

18 verification of information is recited in invalid claims. I

19 further agree with defendant that both client-side and server-side

20 verification, along with first and second validation criteria, is

21 found in the prior art.

22   Plaintiff does not dispute that the XAP Legacy System,

23 CollegeEDGE, and ApplyWeb I were all web-based systems, using a

24 client-server architecture, where the client is the

25 applicant/user's computer and the server is the online application

26 company's computer. The testimony and record in the XAP case

27 firmly establish that the client-server architecture existed in the

28 prior art. E.g., Deft's Exh. 3A at p. 1214 (testimony by Shin that

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1   the CollegeEDGE system relied on a web browser used by the student

2   applicant, which would interface with the system's web servers, the

3   system that actually hosted the applications); Deft's Exh. 3B at

4   pp. 1521-22 (testimony by Frederiksen that ApplyWeb I was designed

5   to operate over the Internet with the server computer being the

6   computer system at ApplyWeb and the client system being the user's

7   computer, wherever the user was located, such as at home or a

8   library, etc.); Id. at p. 1614 (testimony by Dr. Tygar that the XAP

9   system used a "server computer," referring to "XAP's computer," and

10 a "client computer," referring to the "student's computer").

11   Evidence in the XAP case also reveals that in the XAP system,

12 the client computer and the XAP computer performed data validation.

13 Tansey testified that in the XAP system,

14   [e]verything was data validated. You could not finish
            the application until actually multiple checks had gone
15   on with the application. There was -- on each screen
            there was a browser based, a local validation of that
16   screen information, but at the end of the process,
            because it was multiple screens, there was an overall
17   validation that was done back at the server. It was only
            when all the information was validated and finished that
18   the application, in fact, could be finalized by the
            student.
19
    Id. at p. 1347.
20
        This testimony shows that in XAP's system, a browser or client
21
    computer performed screen by screen validation, and the company's
22
    server performed validation of the completed form. With this, the
23
    elements recited in Claims 8, 11, 14, 23, 27, and 30 are all
24
    recited in either invalid claims or the prior art. That is, these
25
    claims reveal the function of data validation being performed at a
26
    user or client computer and at the server's computer, and the data
27
    validation being done on a page by page basis under first
28

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1 validation criteria, and on the completed form by second validation

2 criteria.

3   When I examine each of these claims in combination with the

4 claim or claims from which it depends, I find that any additional

5 elements raise no new issues regarding what a factfinder would have

6 to decide in determining whether the claimed combination is

7 distinguishable from the prior art.

8   4.   Validation Criteria from Institution: Claims 9,
                  13, 24, 26, 29, and 32
9
         Claims 9, 13, 24, 26, 29, and 42 all refer to validation
10
   criteria specified by the institution.   Claims 9, 13, 24, and 29
11
   are identical, except for the reference to the claim from which
12
   they depend: "The method of claim [] in which the validation
13
   criteria is specified by the institution to which the form is
14
   directed." 36:8-9 (Claim 9); 36:24-26 (Claim 13); 37:18-20 (Claim
15
   24); 37:37-39 (Claim 29).
16
         Claim 26 has a slight variation: "The method of claim **25** in
17
   which the first criteria, the second criteria, or both criteria are
18
   specified by the institution to which the application is directed."
19
   37:25-27.   It is obvious from examining Claim 25 that "first
20
   criteria" as used in Claim 26, means "first validation criteria,"
21
   and "second criteria" as used in Claim 26, refers to "second
22
   validation criteria." 37:20-24.
23
         Claim 42 is also a bit different, because it depends from
24
   invalid Claim 38 which is written to stress the receipt of
25
   information by the third party forms servicer.   Thus, Claim 42
26
   states: "The method of claim **38** in which receiving by an
27
   institution from a third party forms servicer user information in
28

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1   a format specified by the institution includes receiving

2   information that was verified by the third party forms servicer as

3   satisfying criteria specified by the institution." 40:5-9.

4   First, I agree with defendant that the difference between

5   Claim 42 and Claims 9, 13, 24, and 29 is not substantive because in

6   all of these claims, the function disclosed is verification of

7   information by validation criteria specified by the institution.

8   Second, I agree with defendant that as a result of my

9   conclusion discussed above (that "first validation criteria" and

10 "second validation criteria" are in the prior art and these

11 additional validation-related elements do not distinguish those

12 claimed combinations from the prior art), the presence of "first

13 criteria" and "second criteria" and "both," in Claim 26 is an

14 immaterial distinction from the invalid claims.

15   Third, I further agree with defendant that any element

16 reciting a function of the institution specifying the validation or

17 verification criteria for validating or verifying information that

18 the user inputs, is taught by the prior art. Shin testified that

19 in the CollegeEDGE system, the system's data validation was driven

20 by the schools. Deft's Exh. 3A at pp. 1217-18 (noting that

21 CollegeEDGE "probably helped the schools come up with the list [of

22 data validation criteria], but it was school driven[.]").

23   The ApplyWeb I system worked from a "list of the institution-

24 specific required fields[.]" Deft's Exh. 3B at pp. 1550-51

25 (Frederiksen testimony). The system "check[ed the fields] by

26 reading that list out of the database to make sure, for instance,

27 if for some reason the institution wanted your mother's maiden

28 name, they could put that in the database, and then for that

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1 particular institution that check would be made." Id.

2   Firstenberg testified that the XAP system accommodated

3 specific types of error checking that the college wanted. Deft's

4 Exh. 3A at p. 1280.

5   Plaintiff contends that the importance of the element in

6 Claims 9, 13, 24, 26, 29, and 42 regarding the institution

7 specifying the validation/verification criteria, to the claimed

8 combination as a whole, is that the claimed combination allows the

9 use of a set of validation criteria specified by the institution

10 receiving the form to validate data entered in institution-specific

11 fields for consistency and accuracy.

12   I find no significance in the combination of this additional

13 element with the rest of the claim limitations. The presence of

14 this additional limitation in the claimed combination does not

15 change the relationship of the prior art to this claim. The

16 alleged notable function performed when the additional element is

17 considered with the claimed combination is taught by the prior art.

18 The additional element presents no new issues regarding the

19 distinction of the claimed combination from the prior art.

20   H.   Dependent Claim 40: Processing Fee for Third Party
             Servicer

21
        Claim 40 states:

22
        The method of claim **38** [in] which receiving an electronic
23   payment associated with the customized form includes
        receiving an electronic payment that includes a form fee
24   minus a form processing fee retained by the third party
        servicer.

25
39:1-5. The function disclosed by this claim is the ability of the
26
   system to deduct from the fee received as an electronic payment, a
27
   form processing fee based on a "per application" commission which
28

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1   is then retained by the third party forms servicer. No other

2   claims include an explicit commission feature.

3   I agree with defendant, however, that the function is found in

4   the prior art. First, the evidence in the XAP trial made clear

5   that plaintiff operated on a commission-based business model.

6   E.g., Deft's Exh. 3A at p. 207 (testimony by Michael Sexton of

7   Lewis & Clark College that college received the application fee

8   from CollegeNET, less a $5 processing charge); Id. at p. 770

9   (testimony from Patrick Carmody, plaintiff's vice-president of

10 sales, that for use of the ApplyWeb system, plaintiff charges $5 or

11 15% of the application fee that plaintiff collects on the

12 institution's behalf, and that plaintiff remits the fee it

13 collects, less its fee, to the institution); Deft's Exh. 3B at p.

14 1704 (testimony by Matthew Lynde that the only source of revenue

15 for plaintiff was to charge per application, somewhere between 5

16 and 15 percent of the institution's application fee).

17   Second, plaintiff's subscriber agreements from 1995 and 1997

18 show that plaintiff deducted $5 or 15 percent of the application

19 fee for every application processed through ApplyWeb I. Deft's

20 Exh. 5 at p. 2 (March 25, 1997 agreement with Lewis & Clark College

21 which includes credit card collection by plaintiff of the full

22 college application fee for each application with remission of the

23 fees collected to the college by the 15th of each month, less 15

24 percent, or a minimum of $5 per fee); Deft's Exh. 6 at p. 2

25 (December 21, 1995 agreement between plaintiff and Virginia Tech

26 containing same fee agreement); see also Deft's Exh. 3A at p. 588

27 (Hitchcock testimony that ApplyWeb I allowed applicants using the

28 system to pay by credit card, with CyberCash handling the

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1 verification of the credit card information); Exh. 3B at p. 1408

2 (testimony by Batcheller that users of the ApplyWeb I system

3 entered their credit card number which transmitted the information

4 to CyberCash, which then transmitted the payment to plaintiff,

5 which then paid the institution).

6   Plaintiff argues that the additional element in Claim 40

7 regarding the electronic payment, including a "form fee minus a

8 form processing fee retained by the third party servicer," is

9 important to the claimed combination because this element, when

10 viewed in combination with other advantages of the invention,

11 further reduces the burden on institutions in processing payments

12 as the third party servicer's fee may be already deducted prior to

13 receipt of the form fee by the institution so that subsequent

14 accounting and payment of forms servicer might be avoided.

15   I disagree. The "further reduction" of the burden on the

16 institution was performed by ApplyWeb I, as reflected in both the

17 testimony and the written agreements. The additional element, when

18 viewed with the claimed combination as a whole, does not

19 distinguish the claimed combination from the prior art.

20   I. Claims 15, 31, and 44: Computer Instructions[14]

21   These claims all address the system's inclusion of computer

22 instructions for completion of functions. The all state, with the

23 exception of the claim to which they refer, "[a] computer readable

24 media comprising computer instructions for performing the steps of

25 claim []." 36:30-31 (Claim 15, referring to Claim 1); 47:44-45

26

27   [14] As noted above, Claims 31 and 44 are claims to which
   plaintiff does not challenge the application of collateral
28 estoppel.

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1 (Claim 31, referring to invalid Claim 16); 40:17-18 (Claim 44,

2 referring to invalid Claim 38).

3   Defendant argues that these claims recite only an

4 insubstantial limitation which lends no patentable significance.

5 More specifically, defendant contends that Claims 15, 31, and 44

6 recite nothing more than the application of modern computer

7 technology to a concept that is otherwise invalid as obvious.

8 According to defendant, programming a computer to perform an

9 otherwise obvious task is an insubstantial addition and thus, these

10 claims are invalid.

11   I agree with defendant. The XAP jury invalidated Claims 16

12 and 38. I have concluded above that Claim 1 is invalid as a result

13 of collateral estoppel. A claim otherwise invalid as obvious,

14 either directly or via collateral estoppel, does not become

15 patentable merely by delineating the implied prerequisite that the

16 computer system which is the basis of the patent as a whole, must

17 contain computer readable media with computer instructions for

18 performing the steps of the claims. See In re Comiskey, 499 F.3d

19 1365, 1380 (Fed. Cir. 2007) (noting that certain claims at issue

20 merely added "a modern general purpose computer to an otherwise

21 unpatentable mental process" and other claims "merely add modern

22 communication devices."); see also Leapfrog Enters., Inc. v.

23 Fisher-Price, Inc., 458 F.3d 1157, 1161 (Fed. Cir. 2007) (in

24 affirming district court's determination of obviousness, court

25 noted that applying modern electronics to older devices had been

26 commonplace for years and thus, "[]accommodating a prior art

27 mechanical device that accomplishes that goal [one of having a

28 child associate the sound of a letter pushed by the child with the

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1 letter itself and be able to sound out the word one letter at a

2 time to learn to read phonetically] would have been reasonably

3 obvious to one of ordinary skill in designing children's learning

4 devices.").

5   CONCLUSION

6   Defendant's motion for summary judgment based on collateral

7 estoppel (#682) is granted. All claims of the '042 patent, not

8 litigated in the XAP trial, are invalid.

9   IT IS SO ORDERED.

10   Dated this 28th day of October   , 2008

11

12

13   /s/ Dennis James Hubel
                            Dennis James Hubel
14   United States Magistrate Judge

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